Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.800	Israel	Shk4.50	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.50	Portugal	Esc175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.600	S.Arabia	SR8.00
Finland	FM8.00	Lebanon	L£1,600	Singapore	S$4.10
France	FFr6.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh16	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bt60
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.900
India	Rs20	Norway	NKr13.00	Turkey	L5000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,540

Tuesday August 27 1991

D 8523A

BALTIC STATES

Nordic countries offer warm welcome

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BUSINESS SUMMARY

Washington issues China with trade ultimatum

The Bush administration has *set a September 30 deadline* for receiving "binding commitments" from Beijing which would lead to reduced protectionism in the Chinese market.

The deadline was set after negotiators failed in several days of talks to satisfy US demands for improved access to the Chinese market. Page 12

HUNGARY: International companies will be invited by the government to submit preliminary bids to build and operate the first privately-financed toll *motorway in a former eastern* bloc country. Page 12

TAKEOVER Panel: The UK regulator of mergers and acquisitions will acquire powers to police cold calling of private investors by bidders. Page 13

NORDBANKEN, the state-controlled Swedish bank, took control of Nobel Industries, the chemicals and defence concern, to rescue the group from financial collapse. Page 15

COMALCO, Australia's largest listed aluminium producer, more than halved its net profit for the half year to June 30 from A$80.6m ($63m) to A$32.4m. Page 15

LLOYD'S is to publish for the first time details of top underwriters' salaries in a move designed to make the London insurance market more open. Page 13

FOKUS Bank, Norway's third biggest bank, suffered a heavy first-half operating loss after credit losses of NKr559m ($81.7m). Page 15

FINANCIAL Times: European and Far Eastern share prices were unable to be updated for this edition due to technical problems.

WORLD NEWS

Heavy toll in battle for Croatian town

Dozens of people were reported killed when the Yugoslav army cut off the town of Vukovar, in eastern Croatia, pounding Croatian militiamen. Fierce battles also raged around Vinkovci and Borovo. Page 12

Lebanese amnesty

The Lebanese parliament approved a general amnesty for war crimes committed during 15 years of civil strife, bringing rebel general Michel Aoun a step closer to asylum in France.

Emotive Collor plea

Brazil's president Fernando Collor de Mello made an emotive plea for a proposed constitutional amendment he sees as central to economic reforms.

UN hostage hopes rise

UN Secretary-General Javier *Pérez de Cuéllar said he saw* movement in the Middle East hostage crisis and is to meet an Iranian envoy today. A spokeswoman said they hoped for results by early September.

Jail news blackout

A virtual news blackout was clamped on negotiations aimed at ending a six-day stalemate at the Talladega, Alabama, prison where Cuban exiles are holding 10 government workers hostage.

S Africa meeting off

South Africa's ruling National Party cancelled a meeting in the Orange Free State because right-wing extremists threatened to disrupt it.

Maoists murder priest

Suspected Maoist guerrillas shot dead an Italian priest north of Lima, the latest victim in a campaign to eliminate foreigners performing social work in Peru.

Soviet president sees faster implementation of market-oriented economic reform

Gorbachev clears way for Baltic independence

By Anthony Robinson in Moscow

SOVIET President Mikhail Gorbachev yesterday bowed to the new impetus for radical change stemming from last week's failed coup and opened *the gates* to Baltic independence and faster implementation of market-orientated economic reform.

Addressing a Supreme Soviet disgraced by its silence during the abortive coup, Mr Gorbachev said last week's events *had completely* changed the face of the Soviet Union.

The communist party has been swept from power and many of the obstacles to economic and political reform have gone with it.

Mr Gorbachev indicated that he would no longer insist on a five-year waiting period before granting independence to the Baltic states and other republics including Belorussia, and the Ukraine and Uzbekistan, which yesterday both voted for *independence*.

Shortly after Mr Gorbachev finished his speech to the Soviet parliament, however, Mr Boris Yeltsin, the Russian leader, made clear that republics, other than the Baltic states, seeking to leave the union would first have to discuss their future borders with the Russian federation.

A statement signed by Mr Yeltsin's press spokesman indicated that the Russian leader, who has emerged as the key power *broker of the* post-coup era, "reserved the right" to negotiate future borders.

It was an early example of muscle-flexing from the richest and most powerful of the 15 republics which is expected to safeguard the interests of ethnic Russians in all republics, and especially in the Ukraine and Kazakhstan which both have large Russian minorities.

Later, Mr Alexander Rutskoi, *the Russian deputy president*, told a press conference that the Russian republic was also demanding joint control over the Soviet union's nuclear weapons.

Under the Russian government's proposals strategic weapons could not be used by the Soviet authorities without Russian consent, so preventing *the risks involved in future* coup attempts.

The plotters who kept Mr Gorbachev under house arrest in the Crimea for nearly three days are believed to have taken the nuclear command equipment carried by the president away with them.

After a minute's silence in memory of the three victims of the coup, deputies to the Supreme Soviet, the standing parliament voted to convene a full congress of people's deputies for next Monday to approve a government to replace that sacked by the Soviet leader for its passivity during the coup.

It will also elect a speaker to replace Mr Anatoly Lukyanov. *He* denied charges that he had been the "ideologue" behind the coup but resigned in the face of criticism from the president and strong pressure from deputies.

The congress of 2,000 deputies will also vote on Mr Gorbachev's demand for rapid agreement on a new Union Treaty, followed by direct elections for a new Soviet president and parliament.

With the economy in sharp decline and winter approaching, Mr Gorbachev called for the elimination of all obstacles to a market economy created by the old system.

The Soviet president also accepted the de facto transfer of economic decision-making to the republics already decreed by Mr Yeltsin and other republican leaders.

Mr Nikolai Petrakov, one of the architects of the "500 days" plan for rapid economic reform put forward by Professor Stanislav Shatalin and others *last year but rejected by conservatives*, said the removal of the communist party from power would have a catalytic effect on economic reform.

Mr Grigori Yavlinski, one of the authors of the "grand bargain" plan for Marshall-aid type western economic assistance worked out with Harvard economists, has been appointed to a four-man committee headed by the new prime minister, Mr Ivan Silyaev, to speed up market-orientated reform.

Last night Mr Silyaev announced that he had agreed with Mr Gorbachev to appoint temporary heads of the most crucial ministries and banks. The heads of the two main banks – Gosbank, the central bank, and the bank for foreign economic relations – have been replaced.

Mr Andre Zverev, becomes the temporary chairman of Gosbank, and Mr Valery Telegin, has been appointed the temporary chairman of Vneshekonombank, the foreign trade bank.

Mr Yevgeny Saburov, who only last week was appointed Russia's economics minister, takes over as Soviet economy *minister, the job* previously held by Mr Vladimir Shcherbakov, the former first deputy prime minister.

Meanwhile, elsewhere in the Soviet Union, the republic of Moldavia encouraged by the Ukraine's declaration of independence, is expected to follow suit today as parliamentary deputies meet under mounting nationalist pressure.

Moldavia's declaration will open the way towards the eventual reunification of the republic with Romania. Moldavia was Romanian territory until the 1939 Molotov-Ribbentrop pact made its northern part Soviet *soil*.

"Moldavia's independence is only an intermediary step, not a goal in itself," said republican president Mr Mircea Snegur.

Moldavian nationalists, who *have lobbied for reunification* for two years, recently gained the upper hand politically after their quick condemnation of the coup last week in Moscow.

More than 60,000 demonstrators rallied in protest last Tuesday under the aegis of the Moldavian Popular Front.

A large crowd is expected today in front of the parliament to symbolise the popular support for the republics's independence.

The Ukrainian parliament dived head-first into the waters of sovereignty, after a year of inching across the beach. It *unanimously declared* the republic a fully independent state.

Lawmakers backed their symbolic decision to remove the statue of Lenin in their parliament, and install the yellow and blue Ukrainian national flag, by passing a series of hard-hitting political and economic resolutions.

If implemented, these would make the second largest Soviet republic a sovereign state.

The emergency session voted to take immediate control over all Soviet military units stationed on Ukrainian territory, to form a Ukrainian national guard, take command of the Ukraine's borders and introduce a distinct Ukrainian currency as soon as possible.

THE SOVIET UNION

- **After the party, a king-size headache; Gorbachev's seven-point programme, Page 2**
- **Soviet republics ponder the shape of things to come; EC expected to recognise Baltics today, Page 3**
- **Editorial Comment: The Baltic case; Next steps and Moscow; Power to the Soviet peoples, Page 10**
- **Making the Soviet Union fit to do business in, Page 32**

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Solemn listener: Mikhail Gorbachev weighs up the debate among deputies after his speech to the Supreme Soviet

Bush warns of risks of Soviet disintegration

By Lionel Barber in Washington and **Our Foreign Staff**

PRESIDENT George Bush yesterday warned against the *danger of the Soviet Union* breaking up and cautioned other western countries that the US was not yet ready to support a substantial economic aid programme.

Mr Bush also fended off calls to extend full diplomatic recognition to *the Baltic* states, making it clear the onus lay on the Soviet authorities. But he said recognition of Lithuania, Latvia and Estonia was "very close".

His warning came as other governments rushed to embrace the Baltic states' declarations of independence by preparing to offer full diplomatic recognition. The European Community is today expected to recognise the independence of Lithuania, Latvia and Estonia.

During a joint news conference with Mr Brian Mulroney, the Canadian prime minister, Mr Bush said the US would respond precipitately to the "traumatic change" in the Soviet Union since the collapse of the right-wing putsch.

His remarks reflected the administration's growing concern about the disintegration of central authority in the Soviet Union and risk of anarchy spreading.

Mr Bush said he had told his senior officials not to make any commitments on "writing cheques" at the meeting of representatives of the Group of Seven industrialised nations on Thursday. "The US is not going to make precipitate commitments to things until we know what is happening."

However, he announced he was releasing $900m (£178.5m) of agricultural credits pledged earlier to the Soviet Union as a sign of his support for the *changes under way*.

Mr Bush, who is due to discuss western aid this week with Mr John Major, the British prime minister, came out strongly in favour of a new power-sharing agreement between Moscow and the republics. In the absence of a new Union treaty, prospects for reforming the economy were much more complex because of uncertainty over the enforcement of contracts, he said.

Although Mr Bush spoke enthusiastically about the fall of communism and the "inexorable" march of freedom in the *world, his* remarks could fuel criticism that the US is too passive a bystander to events.

The President, speaking at his summer home in Kennebunkport, Maine, appeared aware of this danger but said the US had a special responsibility to proceed *cautiously*. "You're asking me about some public works committee in downtown Kiev, and you want to know if we support them," he said with heavy sarcasm to a reporter's question.

Mr Lawrence Eagleburger, deputy US secretary of state, defended the president's caution over Baltic recognition in a TV interview yesterday. "I think the thing that we all have to worry the most about is that the process deteriorates into conflict."

Mr Eagleburger said the US wanted to see that "the process of reform" was in place before pledging large sums of money or other assistance. "We don't have to wait until it succeeds, but we have to have some confidence that it will in fact produce results", he said.

Many countries meanwhile followed the Nordic countries' early acceptance of the three Baltic states' independence.

Britain, France, Portugal *and Germany yesterday* signalled their backing for joint EC declaration of recognition, with Mr Hans-Dietrich Genscher, the German foreign minister, saying: "We will recognise them [the Baltic states] and we will take up diplomatic relations."

None of the 12 EC states ever accepted the annexation of Lithuania, Latvia and Estonia by the Soviet Union in 1940, and they consider the Baltics to be in a different *position from other Soviet* republics.

Iceland became the first country to formalise diplomatic ties by signing documents in Reykjavik with the foreign ministers of the three states. The trio then travelled on to Denmark and Norway to sign documents formalising the recognition of their independence.

Austria, Argentina, Canada, Czechoslovakia, Finland, Hungary, Poland and Romania all *said they were preparing to* establish ties.

ADT suspends dividend in move to cut debt burden

By Bernard Simon in Toronto

ADT, the secretive car-auction and security group, has suspended its dividend as part of a sweeping debt-reduction package that may also include the disposal of its 24 per cent stake in Christies, the auctioneer.

Announcing a 42 per cent *drop in first-half pre-tax profits*, Mr Michael Ashcroft, ADT's chairman, said yesterday that "media attention and a changed lending climate" had led to the reappraisal of short and medium-term financial objectives.

The Bermuda-registered company, which has extensive operations in the US and Britain, aims to cut its debt by $500m over the next 18 months.

Mr Ashcroft said reduction of ADT's debt, which totalled just under $1bn on June 30, would be accomplished by disposing of investments, limits on capital spending and the suspension of dividends. He expected "appropriate" dividend payments to be resumed at the end of next year.

Pre-tax profits dropped to $85.1m from $145.7m. Net earn*ings fell 52 per cent to $62.2m*, or 61 cents a share, in the first half, from $129m, or $1.20 a share, a year earlier. Sales rose to $613.5m from $554.9m.

The figures include an extraordinary charge of $15.7m ($4.2m *last year*). *This* largely reflected $11.6m incurred in defending ADT's senior management against a lawsuit brought earlier this year by Ontario-based Laidlaw, which has a 28.4 per cent stake in ADT.

In a change of accounting practice, ADT has appropriated $160.5m from its retained earnings to cover the maximum premium liability it may incur on the redemption of a series of convertible preferred shares in 1994. In spite of the dividend suspension, ADT's share price moved up by $1.00 to $9.25 in early New York trading yesterday.

One analyst said he was encouraged by signs that the company was starting to address *concerns about its* financial policies and by the relatively buoyant performance of its core businesses.

ADT continues to be dragged down, however, by its non-core investments. Two items in the income statement, labelled "other income less expenses" and "interest expense and other investment income" produced a combined loss of $32.5m, against income of $37.1m last year.

Mr David Hammond, ADT's vice-chairman, ascribed part of the reversal to last year's sale of a 49 per cent stake in Quoteplan, and to the fact that there was no investment activity "of any substance" in 1991.

Market and investors hope pressure on Ashcroft is starting to pay off........Page 14

Quiet markets pause to ponder events

By Rachel Johnson, in London

MARKETS were quieter yesterday as traders chewed over the likely implications of events in the Soviet Union.

Public Holidays in London and Hong Kong thinned the volume of business in Europe and the US, giving investors an opportunity to focus on domestic economic fundamentals.

The dollar traded in a tight range after its New York opening of DM1.7495, with investors unwilling to risk large orders while news continued to flow out of Moscow. Sterling was little changed in New York at around $1.6795.

In the stock markets, turnover was up, with Frankfurt's DAX 30-share index rising 26.95 to 1,654.19.

At midsession on Wall Street, however, the Dow Jones Industrial Average had slipped 6.93 points to 3,033.33 ahead of Wednesday's second quarter gross national product data.

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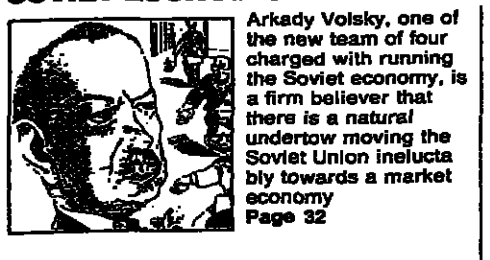
Currencies, Page 20

CONTENTS

SOVIET ECONOMIC REFORM



Arkady Volsky, one of the new team of four charged with running the Soviet economy, is a firm believer that there is a *natural* undertow moving the Soviet Union ineluctably towards a market economy
Page 32

FORTHCOMING FT SURVEYS

- **THURSDAY AUGUST 29:** **Malaysia**: one of Asia's most dynamic countries is attracting more foreign investors.
- **FRIDAY AUGUST 30:** **Zimbabwe**: 11 years after gaining its independence, the country is on the brink of a momentous change.
- **WEDNESDAY SEPT 4:** **European Finance & Investment**: Part 8: the Netherlands.

MARKETS

US LUNCHTIME RATES
Fed Funds $5\frac{5}{16}$%
3-mo Treasury Bills: yield: 5.55%
Long Bond: $99\frac{23}{32}$
yield: 8.14%

London markets were closed for the late summer Bank Holiday

STERLING
New York lunchtime: $1.6795

DOLLAR
New York lunchtime:
DM1.7485
FFr5.9365
SFr1.5240
Y136.93
Tokyo close: Y137.02

GOLD
New York: Comex Dec $360.4

STOCK INDICES
New York lunchtime:
DJ Ind. Av. 3,033.33 (−6.93)
S&P Comp 392.87 (−1.3)
Tokyo: Nikkei 21,592.27 (−473.07)

SELLING PRICE IN IRELAND 80p, IN MALTA 45c

The communist collapse leaves a giant hole at the heart of politics in the Soviet Union

After the party, a king-sized headache

By Anthony Robinson in Moscow

THE RED, white and blue tricolour of Russia has replaced the hammer and sickle flag of the Communist Party of the Soviet Union at the central committee building on Moscow's Staraya Ploschada, for most of this century the country's real centre of power.

Overnight the dominant ideology has been transformed from communism to nationalism. All over the country the party's property has been seized, its cells within the army, the KGB and in farms and factories have been dissolved. Its archives and other assets are under guard and have been placed at the disposition of local and republican authorities.

The party's icons, including that of Lenin and "Iron Felix" Dzerzhinsky, founder of the Cheka (forerunner of the KGB), have been dragged from their pedestals and Mr Mikhail Gorbachev, its general secretary, has resigned.

With extraordinary speed the victors of last week's failed coup against President Gorbachev and the constitutional order have moved to destroy the party which, in Lenin's words, "seized power from the gutter" in October 1917 and then proceeded to impose its will by suppressing all other political parties and imposing a reign of terror.

The communist party which lost power this weekend was very different from the tight-knit party of dedicated professional revolutionaries which seized their chance in 1917. A party which set out to change the world ended up as one of the most obtusely bureaucratic and reactionary political organisations ever seen.

But the reluctant coup de grâce delivered by President Gorbachev on Saturday night in a blizzard of decrees leaves a gigantic hole at the heart of Soviet politics which is unlikely to be filled quickly or tidily.

At present the vacuum is partially filled by charismatic figures such as Mr Boris Yeltsin, the Russian president, or the mayors of Moscow and Leningrad who have managed to become powerful points of reference and aggregation. All former communists, their popularity soared once they left the party, especially Mr Yeltsin who was widely perceived to have been a victim of its vindictiveness. After their resistance to the coup, the prestige of such men is sky high, but economic recession and a bitter winter loom.

Mr Yeltsin has also been particularly adroit at harnessing the rising spirit of nationalism, suppressed for so long in the name of proletarian internationalism.

As yet however, the myriad opposition parties which sprang up after the communist party's constitutional monopoly was removed in February last year, remain small, disorganised and prone to squabbling between and among themselves. There is little sign of the emergence of big, mass based political parties with clearly defined agendas and structures.

The best known of the new fledgling political movements is the Movement for Democratic Reform (MDR) whose members include prominent public figures such as Mr Eduard Shevardnadze, the former foreign secretary, and Mr Alexander Yakovlev, a long time aide to Mr Gorbachev. Another of the new political movements is Democratic Russia, which, like the MDR, is an umbrella movement of like-minded democrats rather than an organised political party.

At the other end of the political spectrum, hardline communists,

> As yet the myriad opposition parties which sprang up after the communist party's constitutional monopoly was removed in February last year, remain small, disorganised and prone to squabbling

including military men, have found a home for themselves in the Soyuz group, which harries radicals and democrats in the Supreme Soviet. However, many Soyuz members are switching allegiance to Mr Yeltsin, according to Mr Yuri Blokin, the Soyuz co-chairman.

The absence of organised political parties still provides a chance for what Mr Gorbachev calls "loyal communists" to re-group and to form a new "party of left-wing forces" as proposed by a group of central committee members over the weekend.

One of the most likely rallying points is the Communists for Democracy faction set up by Mr Alexander Rutskoi, an air force colonel and Afgahn war hero. Mr Rutskoi, who was expelled from the party when he set up the faction earlier this month, has just been promoted to general by Mr Gorbachev for his role in helping to rally anti-coup elements of the armed forces last week.

At a news conference yesterday, Mr Rutskoi said 2m people had applied to join a new parliamentary party which would be called the People's Democratic Party. The party would be aimed specifically at the more reformist members of the old communist party, *Mr Rutskoi said.*

After more than 70 years of being considered "builders of socialism" by an ideoelogical party, the assumption by the new politicians is that the electorate will not be attracted by parties which are too ideological in content.

The proposed new left-wing parties will be more modest than the old communist party which claimed a leading role in society. But the new parties will include men who learned their organisational skills in the hard communist school. They plan to compete for votes *and influence as a normal* parliamentary party against the thousands of other small political movements from monarchists to neo-Stalinists at the grassroots of the new political humus. It is possible that a solid, European type social democratic party will eventually emerge from the ruins of the communist party.

The party which was once a stepping stone to a good job through the *nomenklatura* system has been losing members for years. It lost 4m members last year and could lose the bulk of its remaining 15m members following the weekend's events. But it is difficult to see it disappearing in the same way as its East European counterparts. The Soviet party after all was a homemade church and its roots *go deep into Russian history* and traditions. From now on, the flood will turn into a haemorrhage.

Many, like Mr Gorbachev himself, still have a touching faith in the essential rightness of the communist party and a pride in its chequered history. Others believe that communism and democracy are contradictions in terms. They worry that the legacy of totalitarianism and authoritarianism bequeathed by the party will dog the Soviet union for generations.

*Speaking during a break at yester*day's Supreme Soviet session Mr Georgi Arbatov, head of the US-Canada Institute, warned: "We have successfully managed the 'de-partisation' process, but we will not be able to proceed with building a really demo*cratic society unless we now go for*ward with the same speed and energy towards demilitarisation. Some are already talking of the coup as a comic opera affair. It was not. It was deadly serious and could happen again unless the military are cut down to size."

Yakovlev fears hijack of new revolution

By Leyla Boulton in Moscow

WHEN, 11 long days ago, Mr Alexander Yakovlev, godfather of perestroika and estranged adviser to President Mikhail Gorbachev, left the communist party with a warning that the country was under threat from a Stalinist clique, little did he know his forebodings were about to come true.

Now, he is a hero of the new *revolution, honoured* at last week's victors' rally and freely mentioned for high office, perhaps as the next Soviet vice president. But he is worried again.

"I worry about the possibil*ity that the real revolution* might be used by people who have nothing to do with democracy," the 67-year-old former communist ideologue said in an interview.

Although he has publicly renounced the Marxist faith he first adopted in 1944, he still uses its jargon, in hesitant English, to explain his current fears. "I worry that a *lumpen* conscience might win and begin to crush everything."

He is speaking not just of the danger of an impoverished *Lumpenproletariat* flying into a blind destructive rage because it has nothing to lose.

"A *lumpen* mood and consciousness might include not just poor people but academics, engineers and so on – anybody who does not want to work but wants very much to grasp [what they can]."

Mr Yakovlev, one of the few *senior communists to have* spoken out before it became safe to do so, was packed off to Canada in 1973 after he published a stinging attack on all forms of chauvinism, including Russian nationalism.

He re-entered public life in 1985, when he became one of the closest advisers to President Gorbachev, who was attracted by his reformist policies. But the two men fell out this year when Mr Yakovlev *became convinced that it* was communist ideology itself that was faulty.

Now he sums up the communist experiment, only wiped out last week after 74 years, as simply "one big mistake". His *critics, if not numerous* at present, do wonder why it took him so long to come to this conclusion and whether his switch was not politically expedient.

His response is somewhat lame but similar to those one frequently bears from disillusioned communists. "In the past two years I began to read and study again, and I found

Mr Alexander Yakovlev: The 74-year Communist experiment was "one big mistake"

that not one of the predictions of Marx and Engels had come true."

Still, he was very much in the thick of the last throes of the party. As President Gorbachev *was debating on Saturday* whether to resign as general secretary, Mr Yakovlev played a key role in helping him make the jump.

"I took part in this meeting in which I insisted, or tried to *insist, that Mr Gorbachev* should leave this position," Mr Yakovlev says modestly. "I found him in a much better mood. *He* was much more decisive. . . . maybe he understands more than he did before."

*Mr Yakovlev rejects sugges*tions that the drastic measures taken by Mr Boris Yeltsin, the Russian president, in the wake of the coup, could point to a new Russian "diktat" replacing that of central communist authorities.

"It's too early to say. . . . under the impact of these revolutionary days, certainly tough decisions were necessary. They can create the impression of a diktat and so on but what else could we do?" He *suggests*, however, that now "in the situ*ation of peace, we should look attentively at any new lead*ers. . . ."

But like many democratic leaders in the aftermath of the putsch's defeat – which has seen angry crowds proceed to tearing down communist mon*uments – Mr Yakovlev does* express fears that the revolution could get out of control.

At the same time, he is wary *of a rush* by politicians to take credit for what was essentially a popular uprising. *"There are a lot of people who* would portray themselves as heroes. . . maybe soon they'll even say there were no people on barricades but some mythical figures who were responsible for everything."

He still insists he has no desire to take up a senior post of responsibility. "I am satisfied with my position," he says, referring to his place in the Democratic Reform Movement (DRM). The first opposition group *to* include big political heavyweights, it was launched by the former foreign minister, *Mr Eduard Shevardnadze*, another close Gorbachev ally turned opposition leader, who first warned of an imminent dictatorship last December.

Mr Yakovlev has taken on the role of chief ideologist for *this movement. Denying that it* is a programme, he says he has drawn up a "report" for the DRM's congress – initially scheduled *for* September to decide whether it should become a party. The congress *may now be brought forward.*

Mr Yakovlev for one is convinced that the DRM should become a party rather than a more amorphous movement (open to members of other parties including communists). *But the beetle brows furrow* again. "We need to create a new party but not a new face of the communist party. . . I'm worried that now many, many partocrats will join this movement."

The main argument against forming a party is that it could put off potential supporters. "*My impression is that in my* country there is an allergy to all parties."

He has given up his Kremlin office for more modest quarters in Moscow City Council – nominally because he is part of *a think tank to run the capital.* But he is clearly in the thick of things.

Not for the first time in the interview, he walked round beyond his desk to his bank of telephones. This time the call *was from Mr Gavriil Popov*, Moscow's mayor, and another of those trying to channel the revolution into constructive purposes. Mr Yakovlev puts down the phone, turns around and says: "Right that's it. I'm *going." He is already a thou*sand miles away, wrapped up in the drama and the demands of these historic days.

Heads of two Soviet banks lose their jobs

By Leyla Boulton in Moscow

THE heads of the Soviet Union's central bank and its foreign economic relations *bank were sacked last night* by Mr Ivan Silayev, the Russian prime minister, for suspected collaboration with last week's coup attempt.

Mr Valery Telegin, head of Russia's foreign trade bank, took over temporarily as head of Vneshekonombank (state bank for foreign economic relations), responsible among other things for servicing the country's foreign debt,

Mr Viktor Gerashchenko, chairman of Gosbank (the central bank), was replaced temporarily by Mr Andrei Zverei, a much lesser known banker.

Following its defeat of last week's coup attempt, the Russian Federation has had a major say in all new appointments. Mr Silayev said he had made the new appointments with the agreement of President Mikhail Gorbachev

Mr Gerashchenko has ear*lier denied newspaper accusa*tions at the weekend of having tried to build up a war chest for the coup leaders. He said he had simply acted to counter a run on banks which were majority Soviet owned. He *said he had issued "a strong* recommendation" that Soviet enterprises transfer the bulk of their savings in foreign banks – said to total $300m – to Soviet-dominated banks like Moscow Narodny in London. To prevent a run on reserves, he had also ordered a halt to the sale of foreign currency within the country.

He said his first contact with the coup leaders was on Monday, when he received a *telephone call* at noon from Mr Valentin Pavlov, the prime minister, who told him to act to recover payments owed by republican central banks to the central bank – which he also sought to do.

"*I think it was just a contin*uation of the battle between the centre and the republics," he said of the coup, adding that he would not have behaved differently if given another chance. "Personally I *don't think it is possible for* state servants to act differently in something like the banking system."

Gorbachev's seven point programme

The following are extracts from President Mikhail Gorbachev's speech yesterday to the Supreme Soviet:

First of all, I support the decision taken by the USSR Supreme Soviet to convene an extraordinary Congress of People's Deputies of the USSR.

I submit to your consideration a proposal to invite to the congress deputies of the RFSFR [Russian Federation] Supreme Soviet and representatives of the parliaments *of other republics.*

The coup did not break out unexpectedly, out of the blue.

There was more than enough justification to take urgent measures to defend *the constitutional order.* However, it was not done even though it was not left without attention or evaluation. . . . instead of decisive actions, liberalism and indulgence were shown. In the *first place, I refer to myself.*

But this is a lesson of the first order, so to speak. There is a more important cause, or reason, which made possible this attempt against democracy. . . . a lack of decisiveness and consistence in carrying out democratic reforms, especially in those structures where the coup was growing.

Our good intentions, well-formulated goals and plans were largely not fulfilled because we failed to change the old mechanism of power.

The conspirators made two main miscalculations. They thought that our people could be manipulated, sent like a herd here and there. But the country is not the same any more. That's their main miscalculation. Since the country is not the same and the people are not the same, the army is not the same, either, because it is a part of the people.

This is one of the most important reasons for their failure. And yet, it turned out to be possible to move troops, *tanks* and other armoured vehicles into the streets of Moscow and Leningrad without confirmation by the supreme legislative body of the country.

I will not allow any hesitation or delays in implementing reforms as long as I am president. There will be no more compromises with those with whom it is impossible and impermissible to seek compromise.

My main wish is that whatever we do may be kept within a democratic framework and without blood. And this, perhaps, is [why I made compromises] when decisive measures were needed to prevent the entire country being plunged into a sea of blood.

There is another reason which made the process of reform so tortuous and had a *bad effect on peoples' lives.* It is the delay in eliminating the party monopoly on power, eliminating party-bureaucratic structures largely preserved since the previous regime.

> Our good intentions, goals and plans were largely not fulfilled because we failed to change the old mechanism of power

The old system was undermined, disorganised, but continued to *hold* as much as it could and prevented forward movement. While talking about it, I think it is a matter of principle to separate millions of rank-and-file party members from the party bureaucracy. I have been saying this since the first days I was able to speak. It was my confidence in the millions of ordinary party members that gave me hope for the possibility of the party's radical transformation from a Stalinist into a modern, democratic organisation. The coup obliterated this hope.

And yet, despite all those reasons which made the conspiracy possible, it was doomed from the start. It turned out that the past six years were not in vain. The country and the people were changed beyond recognition.

I would like once *again to* express my unending gratitude to the hundreds of thousands of Muscovites who went out in the streets, looking fearlessly into the barrels of automatic weapons and tank cannons. They defended freedom and legality. Boris Nikolayevich Yeltsin and the Russian parliament, the people of Leningrad and their leaders, Kiev, the position taken by the people of other republics played a very important role in foiling the conspiracy.

What should we do now?

First, I think the most important thing is an immediate resumption of the signing of the union treaty. The conspirators managed to disrupt the planned signing. That was their priority.

Immediately after the treaty is signed, negotiations must be started with those who wish to leave the union. Preparations for this can be started now.

Considering the vital interest of all 15 republics in retaining economic ties, we must begin to work on an economic agreement and do it without delay.

Third, some issues of governing the country in the period before a new constitution is put into effect must be resolved at once.

Fourth, the conspirators would have been unable to carry out their plans if the Supreme Soviet of the USSR and its chairman had firmly and decisively stood in their way. *The events* demanded

Gorbachev: no delays

an immediate convening of the Supreme Soviet. Russia did it at once. It played a huge role in opposition to the putsch. The union Supreme Soviet failed to realise its constitutional authority at this moment.

Fifth, We must evaluate the situation and design and establish reliable constitu*tional, public control over* the activities of the armed forces and law enforcement.

We need to conduct the reform of the Committee for State Security (KGB). An impenetrable shield must be erected to the use of security organs for anti-constitutional purposes. I will sign a decree on the subordination of KGB border guards to the Defence Ministry.

Sixth, on economic measures, the former line of gradual movement along the path of reforms in conditions of radical change in the situation in the country needs to be reconsidered.

I think our measures should include firstly, removing all obstacles artificially erected by those structures on the way towards the market. That is (give) full freedom to entrepreneur*ship, removing monopolism*, dictate from above, forcible methods, creating basic market institutions.

We need:

- Decisive transfer of the emphasis in governing the economy and the responsibility for resolving economic issues to republics, with the union retaining legislative control for regulating a single economic space.
- To return to the idea of an inter-republican economic meeting.
- Decisive reduction of the budget deficit and budget expenditures, strengthening the rouble and normalisation of money circulation.
- Remove all obstacles to giving land to all those who want to work on it.
- A decisive acceleration of reorganisation of foreign economic and monetary relations, convertibility of the rouble, efficient use of credits and other economic assistance which the west is giving us and which it is prepared to increase.
- Ridding social policies of demagogy, groundless promises, unfulfillable programmes. We must get rid of economic populism. [We must concentrate] our attention on basic issues of social protection during the transition to the market – job placement, maintaining living standards especially of low-income people, housing, etc.

Seventh, immediately after the union treaty is signed [we must] begin the election campaign to elect all union organs, including the president.

Work must be done. People are expecting concrete decisions and concrete work from us. I think that the Supreme Soviet will ensure that legality, law and order exist. All those who took part in the conspiracy must get all that they deserve *under the law.* But on the other hand we, and I think all people, are against [senseless revenge]. That's it. I have finished.

Parliamentary foundations already in place

By Judy Dempsey, East Europe Correspondent

THE POLITICAL vacuum created by the collapse last *weekend of the Communist* Party of the Soviet Union could be rapidly filled by a stronger government, and by the Soviet republics.

Until 1989, the Union government and parliament – the latter then known only as the Supreme Soviet – amounted to no more than a rubber-stamp for the communist party's decisions and policies.

In May 1989, the foundations for a parliamentary institution were created through the mechanism of the USSR Congress of People's Deputies. In March 1990, a presidential system was established. Before then, the president's position *had been largely titular.*

- **The USSR Congress of People's Deputies** is the pinnacle of the system. In the constitution, it is the highest body of state authority. It and consists of 2,250 deputies.

In 1989, one third of deputies was appointed by bodies such as the communist party, the trade unions and the komsomol (communist youth movement). The remaining two thirds were elected in the country's first multi-candidate (but not multi-party) elections, held in March-May 1989.

The Congress of People's Deputies meets twice a year. It has two tasks – to elect an executive president, otherwise known as chairman of the USSR Supreme Soviet (still Mr Gorbachev), and the USSR Supreme Soviet.

- **The Supreme Soviet** is the Soviet Union's first permanent *parliament – a bi-cameral* body which consists of a Council of the Union and a Council of Nationalities, both drawn from the soviets and the ethnic groups. It has 542 members.

The body – a standing legis*lative, administrative* and supervisory body – meets in the spring and autumn for two sessions, each of three to four months.

- **The president's powers** are now substantial. As chairman of the USSR Supreme Soviet, he can determine domestic, foreign and security policy, as well as negotate treaties, nominate the prime minister and other leading offices. He also oversees the KGB and chairs the defence council.

The president – who is elected by the Congress of People's Deputies for a five-year term, but for not more than two consecutive terms – is *technically accountable to the* Supreme Soviet and the Congress of People's Deputies, a body which can recall him by secret ballot.

In December 1990, through the USSR Congress of Peoples' *Deputies, Mr Gorbachev* strengthened the presidency by supplementing it with four powerful institutions: a vice-presidency, a Council of the Federation, a Cabinet of Ministers and a Security Council.

- **The vice-presidency** was created to assist the president. Mr Georgii Shakhnazarov, Mr Gorbachev's chief foreign policy advisor, said the vice-president was the second most powerful politician in the Soviet Union and had "very broad powers". The vice-president's main task is to organise the work of the Council of the Federation.

Mr Alexander Yakovlev was yesterday proposed to fill this post, held until last week by Mr Gennady Yanayev, one of the coup leaders.

- **The Council of the Federation:** Created in March 1990, it *was designed to bring republi*can leaders closer to the presidency as a means of binding the Union. The council includes the presidents or parliamentary chairmen of the 15 republics. Its role is to monitor observance of the union treaty and to settle inter-ethnic conflicts.
- **The Security Council:** Set up to replace the old presidential council its function is to brief the president on defence, security and inter-ethnic relations. But the council cannot make independent decisions.
- **The Cabinet of Ministers** replaced the Council of Ministers and is headed by the prime minister. *It has had little real* clout because the Council of the Federation had not been consulted about its composition.

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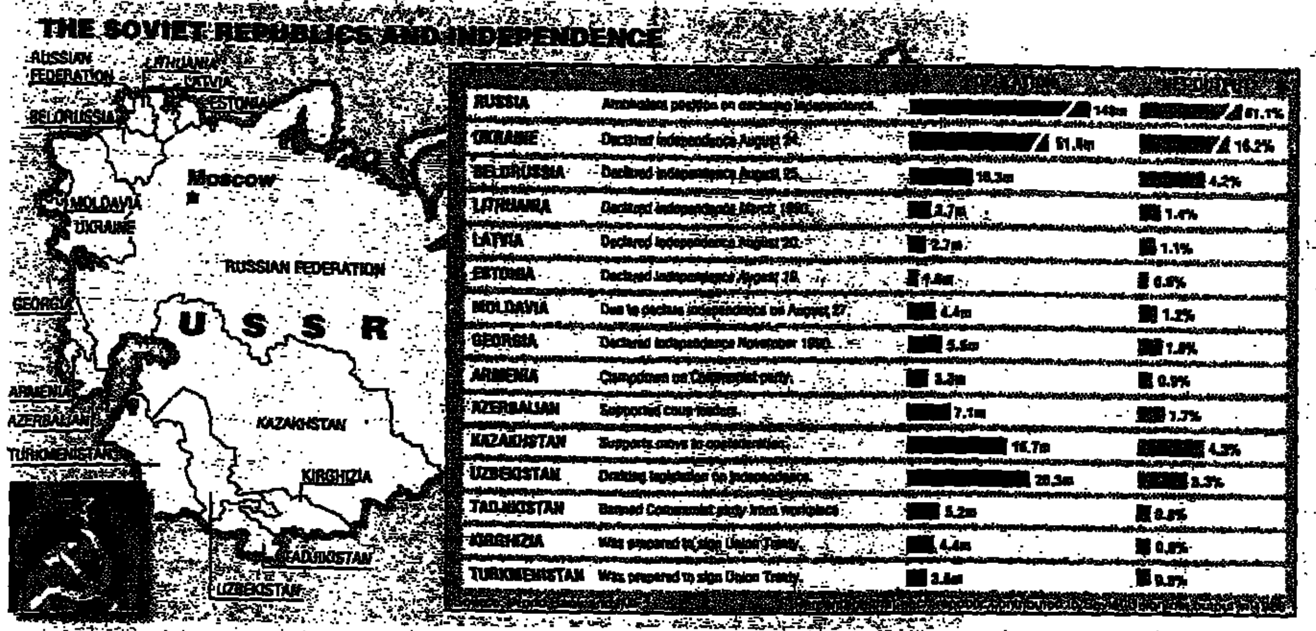
Soviet republics ponder the shape of things to come

The coup achieved the break-up of the union it sought to avoid, but the country's future form is unclear, writes Leyla Boulton



A MAN standing outside the Soviet parliament yesterday thrust a petition at passers-by: "Sign here to rename the Soviet Union the United States of Russia." Indeed, after President Mikhail Gorbachev yesterday recognised the right of Soviet republics to independence from his demolished central power base, it was as if the future shape of the country was suddenly open to suggestions from all and sundry.

Mr Gorbachev, pressed by Mr Boris Yeltsin, the Russian president, to recognise forthwith the independence of the Baltic states, said that after a new union treaty was signed, negotiations would begin with all republics which had boycotted the treaty.

With the removal of the old government and military top brass, their independence now seems just a formality. Since the putsch, the Ukraine and Belorussia have also declared their independence, and will probably be followed today by Moldavia. Armenia's president, Mr Levon Ter-Petrosian, said he was now absolutely certain that his republic would also follow next month. Georgia is already set on independence.

Among the hitherto loyal Central Asian republics, even Uzbekistan – or rather its discredited president, who is desperately seeking to stay in power – instructed parliament to work out a bill on Uzbek independence.

In short, last week's failed putsch has achieved exactly what it sought to avoid: the break-up of the Soviet Union. Even Mr Yuri Blokhin, co-chairman of the hardline Soyuz group, appeared to give up the struggle for a united motherland when he said its its collapse was already under way.

But despite the orgy of political declarations (some less serious than others), the exact shape of things to come is still up for grabs.

There are two basic scenarios. One is that Russia will become a new centre with a few satellites on its periphery. While the Baltics are a clear-cut case of annexation by Stalin in 1940, Russia is unlikely to be so keen on the departure of the Ukraine and Belorussia, its wealthy and longstanding neighbours.

Mr Sergei Stankevich, a radical leader and adviser to Mr Yeltsin, warned when asked about the Ukraine's plans to leave the Soviet Union: "I would like to separate political symbols and manifestations from reality. Politically they can proclaim any kind of independence but I hope our Ukrainian brothers will not forget one simple principle: Do not do any damage. The only way to survive is collectively."

But enlightened Russians such as Mr Stankevich also realise that any obvious attempt to rebuild a Russian centre tsarist-style will only chase away the outlying republics even faster.

The other, preferable option is a very loose confederation, which would make sense economically. But it is not clear whether republics hungry for freedom after seven decades of centralised rule (followed in recent years by chaotic attempts to hold the union together) will finally settle down to that option.

Despite the euphoria, even republics which want to restore their full independence, such as Lithuania, recognise that there may be a need for some sort of common market, joint economic reforms, and a phased switch to full-blooded trading relations.

The relatively successful example of EC integration, and the disastrous collapse in trade between the Soviet Union and eastern Europe after they switched to hard-currency trading at world prices, are there for all to learn from.

For the moment however, the trend is still going the other way – at least in the words of people such as Mr Yuri Boyars, a Latvian deputy, yesterday. "If we have an economic agreement, we will remain tied to the Soviet Union's woes and it will take a much longer time to put order in a small republic like Latvia," he said

Whatever happens in the end, the final model will be unique to the former Soviet empire.

Ukraine takes independence plunge

By Chrystia Freeland

THE Ukrainian parliament dived head-first into the waters of sovereignty on Saturday, after a year of inching across the beach. It unanimously declared the republic a fully independent state.

Lawmakers backed their symbolic decision to remove the statue of Lenin in their parliament and install the yellow and blue Ukrainian national flag, by passing a series of hard-hitting political and economic resolutions.

If implemented, these would make the second largest Soviet republic a sovereign state.

The emergency session voted to take immediate control over all Soviet military units stationed on Ukrainian territory, to form a Ukrainian national guard, take command of the Ukraine's borders and introduce a distinct Ukrainian currency as soon as possible.

These measures took effect immediately, but the proclamation of independence remains to be ratified by 50 per cent support in a republic-wide referendum on December 1.

The parliament also voted to disband communist party cells in all government structures, such as the army and the KGB, and to give workers the right to decide whether to maintain the party organisations in their factories.

On Sunday, the Ukrainian parliament's presidium suspended all activities of the Ukraine Communist party and seized its property, pending investigation of Ukrainian communists' role in the failed Soviet putsch last week.

The Soviet empire depended on the Ukraine's agricultural and industrial muscle, as much as it relied on the region's Slavic people and culture.

The Ukrainian bid for independence heralds the emergence of a new country which, with 53m people and a territory the size of France, could be a big force in eastern Europe.

Mr Dmytro Pavlychki, a prominent opposition MP, hailed the weekend decision as "a step of historic importance. There has been nothing as significant since January 22 1918." From then, for the first time since the 17th century, the Ukraine enjoyed a few months of independence.

He and other opposition leaders insist that the Ukraine will not sign the new Soviet Union treaty under any circumstances, and reject even the notions of some economic or defence alliance with other former Soviet republics.

The radical stance of the hitherto cautious republic is yet another indication that Soviet President Mikhail Gorbachev's triumph over hardliners was a pyrrhic victory. He is deeply committed to preserving the Soviet Union – he urged republics yesterday to sign the Union treaty as soon as possible – but the crisis of last week has caused the Ukraine to take the plunge into independence.

The putsch fatally weakened the Ukrainian communist party. This traditionally orthodox body, through its parliamentary majority, had acted as a brake on the nationalist aspirations of the Ukrainian opposition movement.

The party central committee, and communist cabinet ministers, are implicated in the attempted coup. (Some took down portraits of Mr Gorbachev early last week.)

Even Mr Leonid Kravchuk, chairman of the Ukrainian parliament and a moderate Communist, is being criticised for not having coming to Mr Gorbachev's defence swiftly and explicitly enough. He had been the front-runner for the republic's forthcoming presidential election.

Those communists, such as Mr Oleksandr Moroz, leader of the Communist group in parliament, not tainted by charges of collaboration are planning to form an independent Ukrainian communist party and have become overnight supporters of independence. They fear that, in a Yeltsin-dominated Soviet Union, they would pay dearly for their political affiliation.

Ukrainian politicians, if they are to achieve the independence they have declared, will need to resolve various prickly issues. These include peaceful disposal of the nuclear weapons in the Ukraine; division of all-Union debt as well as reserves of hard currency, gold and diamonds; plus protection of the 11m Russians living in the Ukraine.

On Sunday, though, Ukrainian leaders celebrated their local revolution in time-honoured fashion – they liberated all the political prisoners in the republic.

A Ukrainian anti-communist demonstrator celebrates in Kiev yesterday

Breakaway Moldavians may rejoin Romania

By Ariane Genillard in Kishinev, Moldavia

ENCOURAGED by the Ukraine's declaration of independence, the republic of Moldavia is expected to follow suit today as parliamentary deputies meet under mounting nationalist pressure.

Moldavia's declaration will open the way towards the eventual reunification of the republic with Romania. Moldavia was Romanian territory until the 1939 Molotov-Ribbentrop pact made its northern part Soviet soil.

"Moldavia's independence is only an intermediary step, not a goal in itself," said republican president Mircea Snegur.

Moldavian nationalists, who have lobbied for reunification for two years, recently gained the upper hand politically after their quick condemnation of the coup last week in Moscow. Over 60,000 demonstrators rallied in protest last Tuesday under the aegis of the Moldavian Popular Front. A large crowd is expected today in front of the parliament to symbolise the popular support for the republics's independence.

Moldavia is counting on Romania recognising its independence, said Mr Snegur. "It would be a great pain for us if Romania was not the first country to fully recognise us."

Relations between Soviet Moldavia and Romania have improved steadily since the 1989 revolution in Romania which toppled the communist dictator Nicolae Ceauşescu. But while opposition groups in Romania have raised the issue regularly, the ruling National Salvation Front has kept a lower profile.

Only three months ago, President Ion Iliescu of Romania signed a treaty of friendship and co-operation with Soviet President Mikhail Gorbachev. This treaty said both countries would respect the inviolability of existing frontiers as set by the Helsinki Agreement. Mr Iliescu's attitude could change, however, if it became politically advantageous for him to support reunification.

"A separate Moldavian state next to Romania is clearly unnatural," said Mr Alexandru Mosaru, president of the Moldavian parliament. "But reunification will depend on the political and economic changes we will observe in Romania."

Some 65 per cent of the republic's inhabitants are ethnic Romanians. After 50 years of Soviet domination, Romanian was finally reinstated as the official language in the republic two years ago.

In the meantime Moldavia's declaration of independence will also underline the efforts of its leaders to silence the non-Moldavian minorities on its territory – 35 per cent of the 4.2m population are Russians and Ukrainians. They oppose the nationalist leaders in Kishinev, the capital.

These minorities last year declared a self-proclaimed republic of Transdniestria (population 740,000), near the Ukraine. They have seen their power weakened after they failed to condemn the coup in Moscow last week.

Thatcher: I know how it feels

MRS Margaret Thatcher, the former British prime minister, has seized on the abortive Kremlin putsch against President Mikhail Gorbachev to deliver a coded attack on cabinet colleagues who helped topple her from power last year, Lionel Barber writes from Washington.

Writing in Newsweek magazine, Mrs Thatcher said: "The worst thing, when these occasions occur, is the realisation that some of those whom you have trusted were most prominent in your betrayal. And you look back to see if you weren't too trusting."

Mrs Thatcher lamented that, like Mr Gorbachev, she might have paid too much attention to "getting things done" and not enough to what was going on around her. "I'm not a very skilled politician," she claimed.

In fact, Mrs Thatcher has skilfully exploited the Kremlin coup in the US to press her pet causes: the pre-eminence of the Nato alliance, full European Community membership for the newly emerging democracies in eastern Europe, and western vigilance against a resurgence of hardliners.

"I've been watching communists and socialists all my political life," she said. "They won't give up."

Mr John Major, Mrs Thatcher's successor, arrives in Washington today for talks with President George Bush.

In her article, Mrs Thatcher, prime minister for more than 10 years, hinted that she has plenty of advice on how to shape the new post-communist order. "This is no time to be piffling and small-minded, to find reasons why we can't help. It's a time for big minds and bold policies," she wrote.

EC expected to recognise Baltics today

By David Gardner in Brussels

THE European Community is today expected to recognise the Baltic states' independence once a form of words can be found to placate Spain, a senior diplomat preparing the foreign ministers' meeting in Brussels said yesterday. Madrid wants to discourage the Basques and Catalans from presenting the Baltics as a precedent for their own aspirations to independence.

Denmark, Germany, Belgium, and now France and the UK have already given at least implicit recognition to the Balts. The EC is today also expected to reach preliminary conclusions on how to bolster reform in the Soviet Union.

Diplomats and Brussels officials say the ministers will find it more difficult to agree a joint approach towards the rest of the disintegrating Soviet Union.

They say answers will be needed to three main questions:

- Should the EC recognise other Soviet republics, such as the Ukraine and Georgia, which have declared independence?
- Who should the EC deal with to implement this year's Soviet aid and credit package of Ecu1.15bn (£800m)?
- Depending on the answer to both these questions, what further steps should be taken to back reform in the Soviet Union?

The Baltic states aside, the EC would prefer the rest of the Soviet Union to organise itself into a loose confederation within a single economic space. This is partly because of the greater cost involved in helping to reconstruct fragmented economies and partly because of the fear of inter-ethnic bloodletting inside republics which are not homogeneous or whose borders are disputed.

The problem of disbursing existing aid commitments can probably only be resolved once it is clear who is in charge in Moscow, and what their intentions are towards the rest of the union, diplomats say.

The question of future aid will probably be left to a European summit, expected shortly. For now, Germany, Italy, France and the UK – the EC's four Group of Seven members – are likely to press for the World Bank and International Monetary Fund to admit the Soviet Union as a full member.

The first three of these countries are also pressing for increased aid now that the hardliners who obstructed Soviet reform have been cleared away. Germany already has bilateral aid commitments with Moscow of $34.3bn (£20.4bn), Italy of $5.5bn, and France of $1.2bn. Diplomats nevertheless expect the Twelve to emphasise the quality rather than quantity of assistance.

The rapid collapse of last week's coup has pushed back Brussels' plans to speed efforts to forge closer political and economic links with eastern and central Europe. Nevertheless, senior officials from the Commission and the current Dutch presidency insisted yesterday that the Community would deliver on last week's pledge to offer broader "association agreements" to the former Soviet satellite states, designed to lead to eventual EC membership.

Nuclear nerves in Bonn

By David Goodhart in Bonn

ALL foreign policymakers can be forgiven some confusion in the face of recent events in the Soviet Union, but the Germans, having given the most uncritical backing to President Mikhail Gorbachev, are arguably the most disoriented.

Mr Hans-Dietrich Genscher, the foreign minister, told the foreign affairs committee of the Bundestag last week that Germany must support the development of more "federative structures" in the Soviet Union. And yesterday Mr Dieter Vogel, the government spokesman, said German economic aid would be increasingly directed at the republics.

But there are also some senior officials who warn privately that the break-up of the Soviet Union, excepting the breakaway Baltic states, might not be in German interests, especially if it leads to the creation of new nuclear powers, such as the Ukraine, on its doorstep. Mr Otto Lambsdorff, leader of the liberal FDP and a senior figure in the coalition government, said yesterday that recognition of the Ukraine or Belorussia was still a long way off.

German caution in the face of a possibly chaotic dissolution is understandable given its geographical proximity and the continuing presence of 273,000 Soviet troops in east Germany.

Yesterday Mr Hans Schumacher, Foreign Ministry spokesman, said that Germany, like most other countries, hoped the centre would remain competent to control Soviet nuclear weapons but added that it would be foolish to oppose a high degree of sovereignty for the larger republics.

Chancellor Helmut Kohl and Mr Genscher are both stung by the accusation of being uncritically Gorbachev-centred, but Mr Lambsdorff says German policymakers had clearly not taken Mr Boris Yeltsin seriously enough. The German government has now extended an invitation to Mr Yeltsin, but as recently as June, when the Russian leader was in the US, it had refused to do so.

Germany's exceptionally low-key reaction to the first wave of violence in the Baltic states and to the Soviet removal of the East German leader Mr Erich Honecker indicated that, even more than most other western countries, Germany was ready to go on giving Mr Gorbachev the benefit of the doubt.

Bonn will make a new appeal for the return of Mr Honecker and Germany is also now in the forefront of calls for recognising the Baltic states. Now that Russia has also supported their independence, that is no longer very daring – but only last week Germany appeared to be counselling Denmark against such a radical step.

States 'fail to understand free market'

By Robert Taylor in Stockholm

THE Baltic states will find it hard to become free market economies because their leaders suffer from a "widespread lack of understanding" of what it entails.

This is the main conclusion of a survey of the Baltic economies commissioned by Sweden's Foreign Ministry in co-operation with governments and economists in the region. The full report will be published in English later this year.

The report urges "a radical change in the business culture if the Baltic economies are to adjust to the sharp changes of conditions which are inevitable in the coming few years".

There is "inertia" in the Baltic states in adjusting to new market conditions and "little consciousness of marketing requirements".

The report emphasises the ambivalent attitudes towards the market among Baltic officials and economists. In Lithuania there is a "formalistic approach" to reform based on a belief that "a capitalist economy can be legislated into existence". It argues that the legalistic forms for creating a market may exist, but "without the critical necessary condition – namely, the existence and active encouragement of a dynamic group of entrepreneurs". While privatisation of existing state assets is given considerable attention, newly emerging private economic activity "seems to be viewed with suspicion and mistrust".

The report also stresses the need to create some form of monetary autonomy to protect the local market from the inflationary pressures emanating from the excess supply of roubles.

Its main short-term conclusion is that the Baltic governments are in a dilemma. "Inevitably they have adopted an interventionist stance on prices, production and delivery obligations, on the movement of goods and services in and out of their countries." But on the other hand, their reform programmes have emphasised the need to shift to a market economy with very much less state intervention.

However, the survey is not wholly pessimistic. It believes in the longer term the Baltic states could become entrepôt intermediaries between the Soviet Union and the rest of the world – thanks to their location and "undoubted potential as a source of high-tech services".

The industrial structure of each Baltic state is heavily dependent on links with other Soviet republics, for both supplies of inputs and markets for outputs. In the short term this will constrain the options open to the states by making it "difficult quickly to replace Soviet sources of supply or create alternative markets".

The report also emphasises that the existing economic links among the three republics are insignificant, with little commodity trade between them, while their economies "only have a very limited direct trading connection with the rest of the world".

The promotion of foreign trade is a "critical task". But the study draws some comfort from "the underlying potential for successful industrial transformation" that "derives from the technical competence" of the Baltic labour force.

The relative sophistication of the Baltic economies in the Soviet context, as shown by the development of high-tech industries, could provide the necessary flexibility to adjust to the requirements of international trade, the report argues.

UP TO $3.5bn AID MAY BE NEEDED, SAYS EC

THE three Baltic states will need $2.5bn-$3.5bn (£1.5bn-£2bn) of aid and outside investment over the next 18 to 24 months if they are to achieve financial independence, according to European Commission estimates, Andrew Hill reports from Brussels.

Commission officials suggested yesterday that if financial assistance were made available to the Baltic states, it could be modelled on the G24 countries' programme of aid to central and eastern Europe. Over the last two years Ecu25bn (£17.5bn) in various forms has been committed to six reforming countries via this programme.

Mr Henning Christophersen, the EC commissioner for economic and financial affairs, is to provide Mr Jacques Delors, Commission president, with an outline macro-economic analysis of the Baltic states before today's meeting of EC foreign ministers.

Mr Christophersen, who has been working on a report on the Baltics since June, will present a full analysis to his colleagues at next week's Commission meeting. He and his advisers have already started examining the financial and economic viability of other Soviet republics, anticipating further moves towards independence.

Details of the report on the Baltics are still to be worked out, but officials said yesterday that any aid would have to be a "cocktail" of a number of elements. The mix would probably have to include some form of stabilisation fund to encourage convertibility of currency in the Baltic states, which have no monetary reserves.

The G24 programme of assistance, which is co-ordinated by the Commission, includes emergency aid, balance-of-payments loans, grants and credits for economic restructuring and export credits and investment guarantees. In return Romania, Bulgaria, Hungary, Poland, Czechoslovakia and Yugoslavia are expected to show progress in democratic and economic reform, and on human rights.

Human rights group claims well-being of Palestinian populations threatened

Rise in Israeli settlements seen as peace obstacle

By Tony Walker in Jerusalem

ISRAEL HAS accelerated land seizure and settlement in territories occupied in the 1967 war, continuing to undermine Middle East peace prospects, an Arab human rights organisation said yesterday.

Al-Haq, affiliated with the Geneva-based International Commission of Jurists, said in a report that since early 1990 there had been a sharp increase in new settlers in the West Bank and Gaza Strip, and in territory seized for Israeli use.

The Palestinian human rights body reported that more than 60 per cent of the West Bank and Gaza had been alienated for Israeli use with the addition of some 7 per cent of "confiscated land" in the past 18 months. The number of settlers in occupied east Jerusalem and in the West Bank and Gaza Strip now exceeded 230,000, with a 14.6 per cent increase in east Jerusalem alone since January 1990.

"Settlement plans have been and are in the process of being implemented at a greatly expanded pace, with no regard for Israel's obligations as an occupying power under international law," the report said. "These policies and practices pose a grave threat to the well-being of the Palestinian population and an even greater threat to any long-term solution to the Palestinian-Israeli conflict."

Mr Ariel Sharon, Israel's housing minister, has said repeatedly he intends to press ahead with expansion of settlements in the West Bank and Gaza Strip, home to nearly 2m Palestinians. Israeli ministers insist they will not yield territory in the West Bank in spite of US-sponsored efforts to promote a Middle East settlement based on Israel exchanging land, occupied in 1967, for peace with the Arabs.

The Al-Haq report said, in reference to the influx of Soviet Jews to Israel, that the "increase in illegal land acquisition and settlement has accompanied the most significant rise in Jewish immigration since the first few years of Israel's 43-year history".

Soviet Jewish arrivals are running at about 10,000 a month, down from the 30,000 a month late last year. Since the start of 1990 about 310,000 Soviet Jews have arrived in Israel.

● Palestinian leaders engaged in discussions with the US on steps to Middle East peace, were yesterday questioned by Israeli police on their alleged contacts with the Palestine Liberation Organisation (PLO), a proscribed organisation in Israel.

Mr Faisal Husseini and Ms Hanan Ashrawi, Palestinian residents of the occupied territories, were released on $2,000 bonds obliging them to return for further questioning if required.

Police questioned the representatives on their talks in London earlier this month with PLO officials on preparations for a peace conference.

Treuhand expands commercial paper issue by DM3bn

By Leslie Colitt in Berlin

THE east German Treuhand privatisation agency is to expand its commercial paper programme by DM3bn to DM5bn ($2.9bn) to finance the restructuring of companies it owns.

The Treuhand issue is the largest in the fledgling German commercial paper market, which began operating earlier this year.

Dresdner Bank is arranging the issue, with Deutsche Bank co-arranger. Seven other international banks will offer the paper, in addition to the original four institutions selling Treuhand paper.

The issue – the only one with a short-maturity and a low federal government risk – has proved popular among institutional investors inside Germany and abroad.

Meanwhile, the Treuhand is to invest DM341m in Mitteldeutsche Kali (MDK), east Germany's largest potash mining company, to allow restructuring over the next two years. Nearly 8,500 jobs will remain from an original workforce of 32,000.

The agency said it would also invest DM30m to reduce the amount of salt which enters the polluted Werra river from the mining company.

● Deutsche Waggonbau, Germany's largest railway carriage manufacturer, based in Görlitz , east Germany, has concluded a DM1.4bn deal to sell rolling stock to the Soviet Union. The company will export 1,300 rail carriages and 500 refrigerated cars to Moscow next year.

Financing is to be arranged with the Soviet Foreign Trade Bank by the Kreditanstalt für Wiederaufbau and a consortium led by Dresdner Bank.

Collor in emotive appeal for change to constitution

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernando Collor de Mello has made a strong plea for support for a proposed constitutional amendment.

With inflation this month forecast to be back up to a monthly rate of 15 per cent, Mr Collor believes the amendment is central to the success of his flagging economic reform programme.

In a televised address to the nation on Sunday night, after kissing a statuette of the Virgin Mary, he appealed to "all the political class, the workers, the unions, society as a whole to be open to constructive discussion [to the proposal] in which we put national interest above everything."

The proposal, announced last Thursday, involves 44 changes to the 1988 constitution. Known as the "Emendão" or Very Big Amendment, it seeks to increase federal revenues and cut spending to stop the Treasury plunging back into the red.

The most controversial points are:

● The end of banking secrecy, to enable the government to toughen up on income tax collection;

● The abolition of security of tenure for civil servants who have served five years;

● New powers enabling the government to reduce salaries of state employees and judges;

● The suspension of a provision which forbids the government from collecting new taxes in the same year the tax is introduced;

● A reduction in education spending.

The proposal has met opposition across the political spectrum, with congressmen fearing a reduction of powers.

Collor de Mello: recognises reforms will not succeed without consensus

Mr Collor's speech marked a recognition that his reforms will not succeed without consensus. However, laden with gimmicks such as cutaways to the Brazilian flag and the Virgin Mary while the national anthem played in the background, it only heightened criticism.

The president held a meeting with the 27 state governors yesterday in which he was expected to threaten not to roll over their debt – states and municipal debt to the federal government is estimated at $57bn for 1992 – unless they gave their support to the constitutional amendment and rescinded their right to federal revenues. States currently receive 48 per cent of federal tax revenues.

Mr Collor knows that unless he can secure the governors' support, along with that of their parties, a constitutional amendment would be impossible.

Rescue fund crisis may slow US bank reform

By George Graham *in Washington*

THE US administration's hopes of pushing a comprehensive banking reform bill quickly through Congress may have suffered a setback following a warning that the two main agencies dealing with collapsed banks and savings and loans organisations are swiftly running out of money.

The General Accounting Office (GAO), a congressional auditing and investigative body, has warned in a report that the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC) is likely to be insolvent by the end of the year.

Unless additional funding legislation is passed by then the fund will not be able to borrow new money and its efforts to deal with new bank failures could be paralysed.

The Resolution Trust Corporation (RTC), set up to handle failed savings and loan organisations, is also likely to have spent by the end of the year about $8bn more than the $80bn so far allotted to it.

The GAO warns it will need new funding authority by the end of September.

Mr Henry González, chairman of the House banking committee, said Congress might have to act in the next 60 days to replenish the bank insurance fund. If necessary, he was ready for refinancing legislation to be pushed through ahead of the omnibus banking bill to which it is currently attached.

The administration has sought to tie the fund's replenishment to an overhaul of banking legislation. Many legislators are unhappy with the separate bank reform bills adopted by the House and Senate banking committees.

The GAO report warned that 34 large banks, with assets of more than $100m each, were more likely than not to fail this year unless they received some form of capital injection.

These failures could cost the bank insurance fund about $5bn.

Export controls attacked

By David Goodhart in Bonn

GERMAN business groups are continuing to complain about the government's tight system of export controls, introduced earlier this year.

The DIHT, the national association of chambers of commerce, said at the weekend that the new regulations were creating "serious difficulties" for exporters.

The tougher controls were introduced after several German companies easily bypassed previous regulations and helped construct weapons of mass destruction in the Middle East.

● Some investors in eastern Germany should find it easier to obtain low-interest loans, following a measure announced yesterday by Mr Jürgen Möllemann, economics minister, AP-DJ reports.

The Economics Ministry said in a statement that the government would assume 40 per cent of the risk that used to be incurred solely by the banks issuing special low-interest investment loans. The measure applies only to credits of DM1m ($580,000) or less obtained through the European Recovery Programme.

OBITUARY: DIANA SMITH

Varied and energetic life

DIANA SMITH, former Financial Times correspondent in Portugal, died in Madrid last Friday at the age of 56.

Diana Smith achieved distinction as a journalist in her depiction of Portugal's often erratic transition to a stable European democracy. She was known affectionately as "Dona Diana" and it often appeared that there was nobody in Portuguese politics, industry, finance, the arts and society with whom she was not on close terms.

Paying tribute, Mr José Alberto Tavares Moreira, governor of the Portuguese central bank, said: "I knew Diana very well because we met many times in Lisbon over the 10 years before she left – a remarkable person, with an independence of judgment, penetrating intelligence and a great love for truth. She was a great professional and a very good friend."

Yet her years in that country were only one facet of a varied, energetic and truly cosmopolitan life, which she continued undeterred despite health problems.

With her imposing physical stature and difficult eyesight, she cut an eccentric figure, but her personality was vigorous and searching.

Having grown up in Jamaica, England, Portugal and the US, she had full command of at least six languages, as well as a convincing Jamaican patois. Her working experience ranged from Hollywood films to Amnesty International. Equally articulate in writing and on the radio, her work and everything else she did was imbued with colour, fluency, lucidity and passion.

She was the FT's correspondent in Lisbon and in Brazil for much of the 1970s and 1980s. Two years ago, impatient for new challenges, she moved to take on other freelance work from Madrid, including contributions to Financial Times newsletters.

Rover faces setback in Brazilian battle over trademark

ROVER, the British car group, may have lost its best chance for a swift settlement over its Brazilian trademark following a threat by a Rio de Janeiro court to bar the president of Brazil's Trademark Commission (INPI) from the case, writes Victoria Griffith in São Paulo.

The judge has asked Mr Paulo Afonso Pereira, INPI's president, to respond to charges that he has prejudged the fight over the Land Rover trademark.

If INPI is barred from making a final decision on the case, the legal battle would move to the notoriously slow federal courts and could take up to 10 years to be resolved.

The battle began earlier this year when Rover decided to set up an import shop in São Paulo. The group learned, however, that Mr Hilton Pereira (no relation to Paulo Afonso), a Brazilian car dealer, had already registered the trademark and had started selling Land Rover models in the Brazilian market.

The INPI president told two Brazilian journalists that he was leaning in favour of UK Land Rover on the trademark decision. Mr Hilton Pereira then charged he had prejudged the case.

UK Land Rover registered its trademark in Brazil in the 1950s, but the registration lapsed. Mr Hilton Pereira says he plans to expand his Land Rover import business.

A high court decision which would force UK Land Rover to close its Brazilian operations is still pending.

Pakistan voices Afghan hopes

By Farhan Bokhari in Islamabad

EVENTS in the Soviet Union might encourage a political solution to the conflict in Afghanistan, Pakistan's government said yesterday.

Mr Sheharyar Khan, Pakistan's foreign secretary, said he was hopeful events emerging from Moscow would provide impetus for such a solution.

His statement came shortly before the second round of three-day trilateral talks on Afghanistan, due to begin in Tehran tomorrow. Representatives from the Pakistani and Iranian governments are due to meet representatives of Afghan mujahideen factions based in the two countries.

Mr Khan said he expected the talks to narrow differences among parties to the Afghan problem, as a step towards resolving the dispute.

Pakistani officials have been monitoring events in Moscow to see if there would be any change in Soviet policies towards Afghanistan. Senior officials have said that success of the hardliners could have strengthened the communist government of President Najibullah in Kabul.

● Three fundamentalist guerrilla leaders said yesterday they would boycott this week's talks aimed at forging a plan to end the 13-year-old war in Afghanistan, AP reports from Peshawar.

Argentina to negotiate IMF medium-term loan

ARGENTINA is preparing to negotiate a medium-term loan with the International Monetary Fund, Mr Domingo Cavallo, economy minister, said yesterday, writes John Barham in Buenos Aires.

The minister gave no details. The IMF's medium-term extended fund facility loans are usually for three years and carry less stringent conditions than its stand-by loans.

Last month the IMF approved a $1.04bn stand-by loan for Argentina, the country's sixth since 1983.

Although Argentina has yet to comply with any of its recent accords with the IMF, Mr Cavallo has promised he will meet the fund's tough performance targets this time.

Argentina's foreign debt at the end of 1990 stood at $60.97bn.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

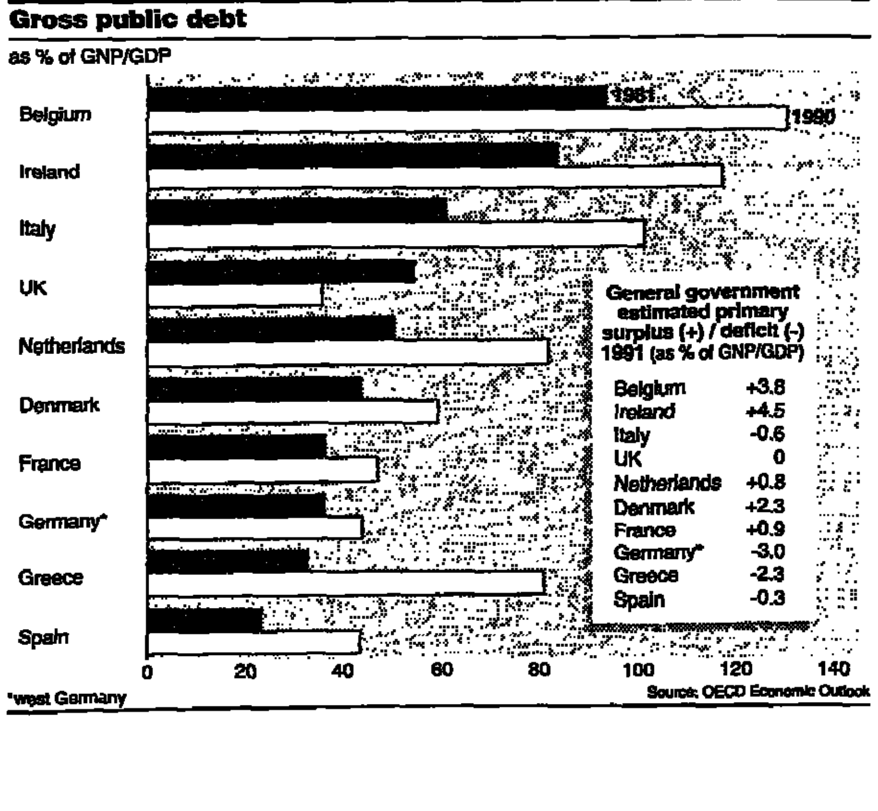
	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	7.0	7.9	10.22	12.43	n.a.	2.9	7.7	6.48	6.80	n.a.	3.3	3.8	5.99	7.96	n.a.
1985	9.2	9.1	8.00	10.62	n.a.	4.6	8.2	6.62	6.34	n.a.	4.4	5.1	5.45	7.09	n.a.
1986	12.3	8.3	6.49	7.68	3.43	7.4	8.7	5.12	4.94	0.84	9.9	8.3	4.63	6.19	1.79
1987	11.6	6.5	6.82	8.38	3.12	9.1	10.3	4.15	4.21	0.55	9.0	7.3	4.03	6.33	2.21
1988	4.3	5.4	7.65	8.84	3.61	7.8	11.0	4.42	4.27	0.54	9.8	6.4	4.33	6.58	2.61
1989	0.9	3.6	8.99	8.49	3.43	4.5	10.0	5.31	5.11	0.48	6.3	5.7	7.12	7.02	2.22
1990	3.7	5.2	8.06	8.55	3.60	3.2	11.5	7.62	7.27	0.65	4.5	4.5	8.49	8.63	2.11
3rd qtr.1990	4.6	5.2	7.94	8.74	3.62	3.3	12.3	7.85	7.96	0.69	4.7	4.2	8.39	8.68	2.14
4th qtr.1990	4.2	3.8	7.89	8.31	3.86	5.1	9.3	8.19	7.16	0.80	6.3	5.4	8.90	8.92	2.51
1st qtr.1991	4.4	3.1	6.69	8.01	3.48	1.5	6.0	7.96	6.54	0.75	6.3	5.5	9.17	8.43	2.51
2nd qtr.1991	5.2	3.3	6.03	8.12	3.18			7.70	6.71	0.71	5.0	5.6	9.11	8.28	2.25
August 1990	4.7	5.2	7.87	8.74	3.68	3.8	11.9	7.83	7.58	0.70	5.1	3.9	8.45	8.52	2.16
September	5.1	5.0	7.96	8.89	3.86	2.4	13.2	8.24	8.04	0.77	5.1	4.7	8.47	8.66	2.41
October	4.2	4.4	7.98	8.72	3.96	3.9	10.9	8.18	7.66	0.80	5.8	5.2	8.60	8.72	2.50
November	4.4	3.7	7.90	8.39	3.86	7.1	9.6	8.22	7.35	0.82	6.0	5.6	8.88	8.68	2.54
December	4.0	3.2	7.80	8.05	3.74	4.4	7.5	8.17	6.79	0.80	7.0	5.3	9.21	8.69	2.50
January 1991	3.9	3.0	7.11	8.07	3.79	1.8	6.0	8.07	6.59	0.80	6.6	5.2	9.35	8.74	2.67
February	4.4	3.1	6.50	7.84	3.37	0.6	5.2	7.89	6.39	0.74	5.6	5.4	9.08	8.25	2.45
March	4.8	3.2	6.40	8.10	3.25	2.0	6.9	7.91	6.63	0.70	6.6	5.7	9.09	8.28	2.38
April	4.3	3.1	6.08	8.03	3.17	−1.4	2.1	7.75	6.69	0.70	4.5	5.5	9.18	8.20	2.30
May	5.5	3.4	5.92	8.07	3.20	5.6	4.1	7.72	6.64	0.71	5.3	5.7	9.08	8.30	2.25
June	5.8	3.3	6.10	8.27	3.17			7.63	6.80	0.72	5.1	5.4	9.06	8.35	2.18
July			6.05		3.14			7.45		0.75			9.15		2.29

FRANCE					ITALY					UNITED KINGDOM					
Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield	
9.7	10.9	11.77	13.33	n.a.	12.5	12.4	16.11	15.60	n.a.	5.5	12.9	10.03	11.33	n.a.	1984
6.2	7.4	10.03	11.74	n.a.	13.7	14.0	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.	1985
6.9	6.7	7.79	8.74	2.65	10.4	9.0	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35	1986
4.1	9.8	8.26	9.59	2.75	10.5	11.0	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60	1987
3.8	8.4	7.94	9.02	3.69	7.5	8.1	11.24	10.54	2.71	6.7	17.0	10.41	9.69	4.48	1988
8.1	9.4	9.39	8.79	2.88	8.1	10.1	12.41	11.61	2.46	5.9	17.8	13.96	10.30	4.36	1989
3.9	9.0	10.32	9.87	3.19	9.0	9.6	11.98	11.87	2.84	5.3	16.2	14.82	11.65	5.07	1990
3.8	7.7	10.19	9.94	3.36	8.0	8.8	11.25	11.85	2.81	4.9	15.5	15.00	11.78	5.21	3rd qtr.1990
3.9	9.0	10.11	10.07	3.77	8.5	10.0	11.80	11.74	3.55	3.3	13.6	13.89	10.95	5.56	4th qtr.1990
3.1	8.4	9.85	9.30	3.64	7.6	9.2	12.37	11.86	3.69	2.9	10.6	13.30	10.30	5.22	1st qtr.1991
0.7	6.1	9.43	8.95	3.48			11.51	12.87	3.21	1.7	9.1	11.64	10.34	4.84	2nd qtr.1991
2.9	7.8	10.19	10.08	3.43	7.3	8.4	11.55	11.79	2.86	4.8	15.5	15.02	11.96	5.26	1990 August
3.8	7.7	10.35	10.44	3.73	9.0	9.6	10.76	11.80	3.14	4.5	14.7	14.97	11.91	5.81	September
0.8	7.4	10.04	10.36	3.75	9.2	10.0	10.98	11.58	3.36	3.9	14.2	14.07	11.56	5.61	October
0.6	7.3	10.00	10.16	3.78	8.7	10.2	11.93	11.69	3.67	3.2	14.3	13.70	11.25	5.61	November
3.9	9.0	10.29	9.89	3.79	7.9	9.9	12.59	11.96	3.65	2.7	12.3	13.87	10.77	5.44	December
0.5	7.7	10.28	9.75	3.93	6.6	8.4	12.48	12.04	3.96	3.4	11.2	14.02	10.53	5.60	1991 January
2.3	8.1	9.79	9.11	3.82	7.5	9.2	12.45	11.90	3.64	2.8	10.8	13.32	10.12	5.19	February
3.1	8.4	9.43	9.04	3.36	8.7	9.8	12.17	11.64	3.43	2.6	9.8	12.49	10.25	4.82	March
3.6	8.0	9.34	8.88	3.46	6.8	9.1	11.74	13.07	3.36	1.6	9.9	12.02	10.17	4.74	April
2.1	7.2	9.24	8.88	3.44	8.1	9.8	11.39	12.82	3.24	1.6	9.5	11.59	10.32	4.85	May
0.7	6.1	9.72	9.11	3.53			11.40	12.72	3.02	2.0	7.9	11.30	10.53	4.96	June
		9.59		3.69			11.54		3.24			11.14		4.91	July

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Short-term interest rates:** period averages of; US – 90 day commercial paper, Japan – 3 month certificates of deposit, Germany – 3 month Fibor, France – 3 month Pibor, Italy – 3 month Euro-Lira, UK – 3 month Libor. Source: Datastream. **Long-term interest rates:** period average yields on long-term benchmark government bonds. Source: Atlas/TFN. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

Gross public debt

as % of GNP/GDP



*west Germany

Source: OECD Economic Outlook

Emu, public debt and the risk of government default

THE PRIOR convergence of inflation and nominal interest rates among members of the European exchange rate mechanism is an important pre-condition for a move to a single European currency. But if full-blown monetary union is to have the same stabilising properties as the ERM, many believe that, in practice, the fiscal positions of its members must also be constrained.

Evidence of the past decade suggests such constraints may well be necessary.

The dispersion across countries in their ratios of outstanding public debt to gross domestic product remained just as wide in 1990 as at the beginning of the decade. Heavily indebted countries such as Belgium, Ireland and Italy are more indebted now than in 1981, while Greece and the Netherlands are catching up fast.

In fact, the burden of outstanding public debt has risen over the past decade in all but one of the 10 EC member countries for which data are available, as the chart shows. The exception is the UK, ironically the most recent ERM convert.

What matters for a country's individual economic health is whether the interest payments on its debt can be maintained in the medium term without ever-higher debt burdens and a growing risk that the government will be forced to default. For if the real interest rate exceeds the real growth rate of the economy, as was true throughout the 1980s, then the ratio of the existing stock of debt plus interest payments to GDP must rise, unless the primary budget, excluding borrowing for interest payments, is in surplus.

Ireland and Belgium will have both the largest debt/GDP ratios and the largest primary budget surpluses in 1991, according to OECD estimates. The interest burdens they face are high – 7 per cent of GDP for Ireland in 1990 and 9.7 per cent of GDP for Belgium – but both countries' debt/GDP ratios are on a downward trend.

Germany will run a primary deficit this year to finance the costs of unification which will further increase its debt/GDP ratio. But its outstanding debt remained below 50 per cent of GDP in 1990, while the interest payments on this debt were equivalent to just 2.1 per cent of GDP.

Both Italy and Greece have clearly unsustainable fiscal positions, with high and rising debt/GDP ratios. This year the Italian budget deficit will be near to 10 per cent of GDP, almost all of which will go on interest payments. It needs a primary budget surplus of at least 2 per cent of GDP to stabilise its debt. But the OECD estimates that the Italian primary budget will merely be balanced in 1991, while Greece is expected to have a deficit of 2.3 per cent of GDP.

The Italian government is firmly committed against financing its debt interest payments by printing money. But as the burden of these interest payments rises, this commitment inevitably looks less secure. As a result, it is forced to pay a higher price on its debt than other countries to cover the higher default risk. There is also a risk that bond-holders will take fright, pushing up interest rates as they try to sell bonds.

European economic and monetary union would change the nature, but not the fact, of Italy's debt problem. Within Emu, the Italian government would no longer have the option of inflation and devaluation as a way of dealing with its debt problem. Yet investors might still doubt the Italian government's commitment not to default.

If the European central bank is credibly committed to not bailing out the Italian government through higher inflation, then the risk premium on Italian bonds would remain. In fact the premium might be higher than at present as the government could no longer maintain an above average inflation rate.

Yet with Italian debt accounting for almost a third of total outstanding EC public debt, there would be a risk the European central bank would have to bail out such a large borrower, whether or not it was notionally prevented from acting as a lender of last resort. Thus the interest rates on debt issued by all member countries would be higher.

For both these reasons, the strains on the Italian budget would be greater and the monetary system potentially unstable. To allow those countries with high and rising debt/GDP ratios to enter Emu would be asking for trouble.

Edward Balls

INTERNATIONAL NEWS

Australian ruling party divided over jobless rate

By Emilia Tagaza in Canberra

THE Australian government yesterday broke into factional warfare over the budget, focusing on unemployment forecasts.

There are fears that the governing Labor Party might enter the 1993 general election with unemployment very high. The jobless rate has already trimmed the government's standing in popularity polls. Pretenders to the party leadership are openly wrangling over strategies to reduce it.

The budget, presented last week, forecast an unemployment rate of 10.5 per cent in 1991-92, compared with an average of 8.4 per cent last year.

Mr John Kerin, federal treasurer, said at the weekend Australia faced unemployment levels of up to 10 per cent within the next two years.

At the core of the fight is the continuing struggle between Mr Bob Hawke, the prime minister, and Mr Paul Keating, the influential former treasurer. The latter's challenge for the leadership was defeated in a vote by a party caucus in June, but his taunts continue from the sidelines and from his supporters in cabinet and the labour movement.

Mr John Dawkins, employment minister and the leading Keating supporter in cabinet, yesterday accused the party's left of having leaked documents and deliberately misrepresented his position in cabinet debates on funding for employment programmes.

Documents leaked at the weekend suggested that Mr Dawkins opposed the inclusion in the budget of about A$600m (£280m) in employment funding.

Mr Dawkins claimed that the left faction, which underwrote Mr Hawke's victory in the June leadership vote, was trying to blame him for what Australians perceived as inadequate unemployment measures in the 1991-92 budget.

Another Keating supporter, the secretary of the big labour movement, the Australian Council of Trade Unions, also joined the fray by predicting that the party would lose the next election. Mr Bill Kelty said the budget should have included "a bit of good old-fashioned Keynesianism" to stimulate the economy.

Mr Hawke promptly called this "voodoo economics".

Sales of flats decline sharply in Japan

By Stefan Wagstyl in Tokyo

SALES of flats in Japan fell by 30.7 per cent in the first six months of 1991 to 12,898 units, the lowest half-yearly total for 10 years.

The Real Estate Companies Association figures yesterday underlined the depth of recession in the residential property market.

The market for flats attracted large amounts of investment in the late-1980s when land prices were soaring because flats are more easily traded than other kinds of property. As a result, the flats market has been hit severely by the squeeze on credit since 1989 by the Bank of Japan.

The decline in sales was mainly accounted for by developers holding flats off the market in the hope of avoiding exacerbating the decline in prices.

However, underpinned by robust domestic demand including personal consumption and corporate capital outlays, Japan's national economy continues to expand, the Bank of Japan said in its monthly report yesterday, AP-DJ adds.

The report said tightness in labour and goods markets eased in keeping with the slowing of growth. But an official briefing said the easing of the labour market's tightness in particular shows no sign of prominent improvement.

S African downturn deeper in first half

By Philip Gawith in Johannesburg

THERE was a considerable deepening in South Africa's economic downturn during the first half of 1991, accompanied by a marked decrease in the national standard of living, according to the annual economic report of the Reserve Bank.

The central bank said gross national income per capita had declined by 2.5 per cent in the first half of 1991, following declines of 3 per cent in 1989 and 4 per cent in 1990.

The deepening downturn is the result of an acceleration of the rate of decrease in fixed investment and a tapering of hitherto buoyant consumer demand.

The bank did say, however, that a healthier balance of payments and foreign reserves position, a lower foreign debt and a more stable internal financial situation meant that the underlying economic situation "is now more conducive to sustainable economic growth than in any period during the 1980s."

Continued vigorous exports, and low imports, allowed the country to average a R5.1bn (£1.06bn) quarterly surplus, or 2 per cent of GDP, on the current account from the beginning of 1990 to mid-1991.

These factors helped the country to repay debt. Outstanding foreign debt is now down to $19.4m. Despite these payments, net capital outflows from the country declined from R6.2bn in 1988 to R2.9bn in 1990.

Although the economy has been in a downward phase for nearly two-and-a-half years, the contraction in gross domestic product has been relatively mild – an annual rate of about 0.5 per cent, compared to rates of 2 and 3 per cent in the two previous downturns.

The bank expressed concern at the economy's inability to create jobs.

Labour absorption in the formal sector is down to 7 per cent, which means that, on average, only seven jobs in the formal sector are created for every 100 new entrants to the job market.

Khieu Samphan (left), leader of the Khmer Rouge movement in Cambodia, talks with his staff yesterday at the Thai resort of Pattaya before attending a conference on Cambodia's future.

At the opening session, he called for the government and the three-faction guerrilla alliance to cut their armies to 6,000 men each as part of a peace settlement. Then they should aim for total demobilisation two months before elections.

Cambodian Premier Hun Sen said he could not accept the proposal and offered to reduce his forces by 40 per cent. He had previously rejected any demobilisation. It was agreed, however, to ask the UN to send a peace-keeping force to Cambodia "as soon as possible" to reinforce a ceasefire.

IMF review of Philippines delayed

By Greg Hutchinson in Manila

THE International Monetary Fund's first formal review of the Philippine economic stabilisation programme has been put back two months to October because of the financial woes of the National Power Corporation, the state electricity authority.

As a result, a $37m (£22m) third tranche of the fund's 18-month stand-by arrangement for Manila will be delayed. Foreign loans, most of which are tied to IMF approval of government policy, will also be held up, Mr Tomas Apacible, acting finance secretary, said yesterday.

Meanwhile, Mr Jesus Estanislao, finance secretary, now abroad, has reported to President Corazón Aquino that the country has commitments of financial support from the World Bank, the IMF and the US for a second programme of debt buy-back and debt service reduction.

Some $1bn is needed for the programme, expected to be implemented before Mrs Aquino steps down next May.

In January 1990, the Philippines retired $1.3bn of its $8bn medium- and long-term public sector debt. The debts were repurchased from foreign creditor banks at a 50 per cent discount.

This was one of the first fruits of the plan, adopted in the late-1980s by Mr Nicholas Brady, US treasury secretary, to ease the Third World debt burden.

The delay in the IMF review, according to Mr Apacible, gives the Philippines a two-month span in which to set its fiscal house in order and address the problems of the NPC, which has already consumed an unscheduled 7.2bn pesos (£158.3m) of this year's government budget.

A memorandum dated last Friday, sent by Mr Estanislao from Washington to Mrs Aquino, said a joint mission from the IMF and the World Bank would be in Manila from September 23 to work with the NPC on a "time-bound programme" aimed at making the entity financially viable.

Mr Apacible said the IMF would conduct during this time its first formal review of the stabilisation programme – the first time an IMF review would be done in tandem with the World Bank.

Mr Gautam Kaji, a World Bank director, wrote to Mr Estanislao and top NPC officials on August 2 to warn the government that the NPC was already in default and that, unless measures were taken to enable it to honour its loan covenants with the World Bank, further World Bank loan disbursements to the NPC would be held back.

● The Philippines and the US will sign a treaty today to govern the continued US military presence here, President Corazón Aquino has announced.

The treaty provides for US use of the Subic Bay naval base for 10 years, after a current lease on that and other military facilities has expired three weeks from now.

The remaining facilities not yet handed over will revert to Philippine conrol. Clark air base – the most important US facility apart from Subic, but much damaged by the recent eruption of the volcano Mount Pinatubo – will be returned after one year.

The Philippines will receive $360m (£214m) compensation in 1992, and $203m a year for the remaining nine years.

According to the Philippine constitution, the treaty must be ratified by two-thirds of the country's senate for the US military presence to remain beyond September 16.

Most senators say they oppose the new agreement and have threatened to reject it. But some are expected to change their mind as the treaty is debated and lobbying for ratification begins in earnest.

Mongolian unrest as Chinese head visits

By Yvonne Preston in Beijing and agencies

DEMONSTRATIONS by anti-communists in the Mongolian capital, Ulan Bator, coincided with the start there yesterday of a four-day official visit by President Yang Shangkun of China.

The 84-year-old president is the first Chinese head of state to visit Mongolia in 40 years.

About 3,000 Mongols took to the capital's streets, demanding the overthrow of the ruling Communist Party and showing concern that hardliners against the current economic and political reform in Mongolia could stage a coup.

In Mongolia's first free elections, held last year, the party was returned to power, but was forced to share it with new democratic parties. The largest of them, the Mongolian Democratic Union, was set up in December 1989.

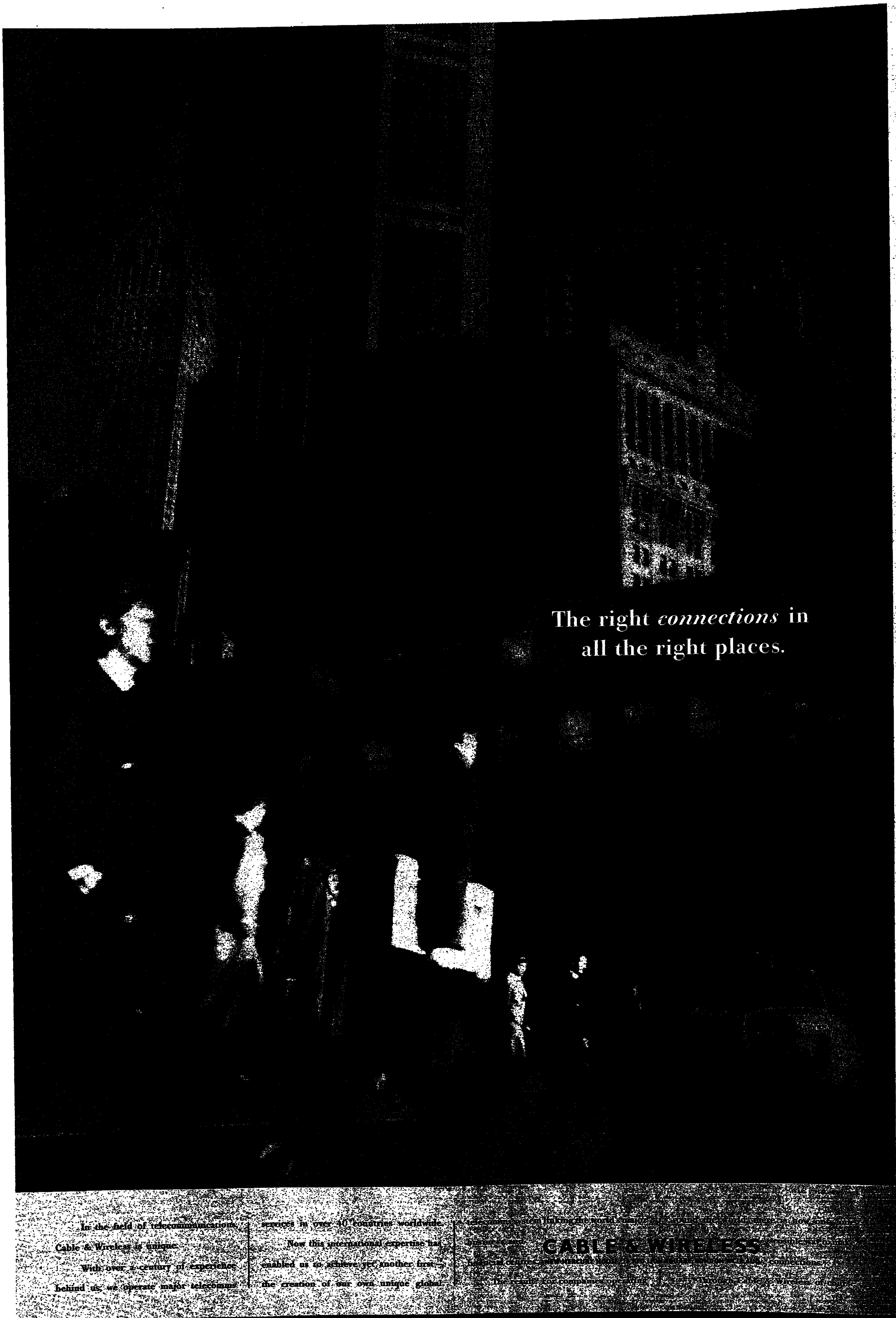
Events in Mongolia, a landlocked buffer state between the USSR and China, will compound Beijing's dismay at the collapse of the coup in the Soviet Union and the erosion of Communist Party power there. The media here continue to report only the bare facts of the Soviet situation.

For 70 years, Mongolia had a hardline communist regime in the Soviet sphere of influence. The Mongolian economy, no longer receiving Soviet aid, is in dire straits and looking to China for economic assistance.

The make-up of Yang's delegation suggests that trade will be a big element in bilateral talks. Finance minister Wang Bingqian, foreign trade minister Li Lanqing, and deputy railways minister Sun Yongfu are among those with Yang.

Mongolia has said it hopes for Chinese approval to ship its goods across China, probably by train, to the port of Tianjin for export to Japan, South Korea and the West.

Mongolia also is eager to expand trade relations with China in its efforts to become self-sufficient after near-total dependence on the Soviet Union. However, an agreement to conduct bilateral trade in hard currency, rather than by barter, is likely to slow the development of trade relations.



ECONOMY

Retailers

By Peter Marsh

THE BCCI SHUTDO

Major is to mend with Abu

By Alison Smith

Jacob

Notice

ECONOMY

Retailers plan new survey of sales

By Peter Marsh

THE Retail Consortium, the main trade body for UK shops and stores, plans a new, weekly survey of sales across the industry in an effort to monitor the path of the expected economic upturn.

Although the initiative is going ahead without the involvement of the government's Central Statistical Office, the main UK agency for economic statistics, the CSO welcomed the measure as helping in the general move to gain more timely data about economic trends.

The consortium's survey, due to start within the next few months, is to cover a broader cross-section of Britain's 240,000 retailers than in the CSO's existing monthly inquiry into retail sales trends. This gathers information from a sample of 3,500 shops, including most of the large retailers.

The consortium said it was starting the exercise because it was dissatisfied with some aspects of the CSO's survey, one of which was that the data were available only once a month.

The new survey is aimed at providing a highly segmented breakdown of sales volumes of a large number of different types of goods, in contrast to the CSO's inquiry which separates retailing broadly into food and non-food.

Another problem, according to the consortium, is that the CSO asks its sample of shops to provide it with data in the form of sales values, and then using statistical techniques converts these numbers into volumes of goods sold.

The consortium plans to collect its data directly from shops in terms of the volumes of goods which they sell. This it believes would be more straightforward, and provide better-quality information.

The initiative by the consortium, which says it represents 90 per cent of Britain's £150bn-a-year retailing industry, will be eagerly awaited by the City, which is keen on more information about the strength of consumer demand – a key component of the expected upturn.

Earlier this year, Mr Norman Lamont, the chancellor of the exchequer, ordered the CSO to examine new ways of gaining up-to-date information about retailing trends as a way of spotting when the recovery was likely. So far this initiative has failed to produce anything concrete.

A CSO official said the data from the consortium's new survey would complement the agency's own information. But he warned that due to the time that it normally took to establish a statistical base for any new set of economic data, it might take a long period before the consortium's survey could be thought of as a reliable tool in plotting the path of the economy.

Feature, Page 11; Economics notebook, section II

THE BCCI SHUTDOWN

Major is urged to mend relations with Abu Dhabi

By Alison Smith

MR John Major, the prime minister, was urged yesterday to send a minister to visit Abu Dhabi to mend relations between the two governments after the Bank of England's closure of the Bank of Credit and Commerce International (BCCI), in which Sheikh Zayed, the Abu Dhabi ruler, is the main shareholder.

The anger felt by the Abu Dhabi government towards the Bank and, in particular, Mr Robin Leigh-Pemberton, its governor, could mean British companies losing Abu Dhabi contracts to American competitors. The Abu Dhabi government might also try to persuade other Arab states, such as Kuwait, to follow suit.

The call for a ministerial visit came from Mr Keith Vaz, the Labour party MP who has headed the parliamentary campaign to help BCCI depositors. He has just returned to Britain after leading a delegation from the BCCI staff committee in a week-long visit to Abu Dhabi and Hong Kong.

He also urged Lord Justice Bingham, who is carrying out the inquiry into BCCI's collapse, to visit Abu Dhabi to hear at first-hand the government's version of events immediately before BCCI was closed.

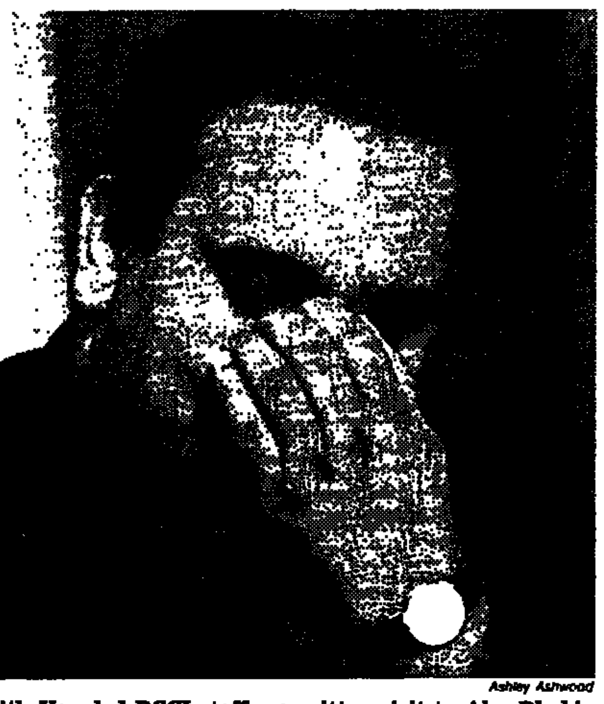
Mr Vaz said Abu Dhabi officials expressed very strongly the view that a friendly Gulf state should not have been treated in the way it was by the Bank of England, which had not kept it fully informed. There was also bitterness towards Price Waterhouse, BCCI's auditors.

"They are very, very hurt but we can repair the damage if a ministerial visit takes place," he said. The fact that no Foreign Office official and no minister has visited is important. It has political repercussions and foreign policy implications."

Mr Vaz said he believed a ministerial visit would help to secure a deal to help BCCI investors, and that $4bn-$5bn had been set aside for reconstruction: "I came away with the impression that money would not be a problem".

Mr Vaz said he was "cautiously optimistic" about the prospects for a rescue plan for BCCI, and was confident that restructuring work taking place in Abu Dhabi was serious and constructive.

So far as BCCI in Hong Kong was concerned, all the parties involved in a possible sale were working to a strict timetable, and three potential buyers had put forward detailed plans. The five-strong delegation is now seeking meetings with Mr Major and opposition party leaders, as well as Mr Leigh-Pemberton.


Ashley Ashwood

Keith Vaz: led BCCI staff committee visit to Abu Dhabi

British Gas 'should sell pipeline system'

By Deborah Hargreaves

BRITISH GAS should be forced to sell its pipeline system, the Office of Fair Trading is believed to have told the government.

The call comes in a confidential OFT report on competition in the gas industry. The report is also believed to urge the free import and export of gas to and from the UK as a way of increasing gas supply to competing companies.

Sir Gordon Borrie, director general of the OFT, is thought to have urged the sale of the gas transmission service as another way of encouraging more competition in the gas market.

Competitors to British Gas have complained that the tariff system it operates on its pipeline system is unwieldy and expensive. If British Gas's monopoly of gas transport was broken, competitors claim, alternative systems would be built and transit tariffs would come down.

In this way, an independent pipeline company could help lead to the development of a spot market for gas in the UK similar to that of the US, though this would take years to develop even if the pipeline system were sold.

Imports of gas have been blocked by the energy department for fear that they would slow exploitation of UK fields. The department is still considering a request by National Power, the UK generator, to import substantial amounts of gas from Norway over the next 15 years.

British Gas is the only company that currently imports gas from Norway under the so-called Frigg treaty, but is looking to increase its overseas purchases in coming years. It is therefore likely to welcome proposals to open up the UK market, but the company is bitterly opposed to any break-up of its businesses.

A copy of the OFT report has been sent to Mr Peter Lilley, trade and industry secretary, who is expected to comment on it when Parliament resumes in September.

BRITISH ASSOCIATION

Industry 'failing to invest in research, development'

By Clive Cookson, Science Editor

BRITAIN'S failure in industrial innovation is due less to inadequate government funding of science than to industry's lack of interest in research and development, Sir Denis Rooke said in his presidential address to the British Association annual meeting in Plymouth last night.

Sir Denis, former chairman of British Gas, said Britain's industrial performance had been consistently worse than its international competitors over the last 40 years. Long-term economic growth in the UK was about the same as in the Soviet Union.

"If we do not pull up our socks there is the danger that we shall quickly become a third world power," he said.

"In my judgment the decline does not stem from any lack of performance in the upper reaches of academe or fundamental research," he said.

"It is in the determined and innovative application of science and technology that we in Britain are lagging today as a nation."

Sir Denis urged UK companies to carry out more R&D, either in-house or at university and other research laboratories. "This is an area where the UK is currently very weak; not only do the USA and Japan have a much greater scale of R&D financed by industry but so too do countries like Holland, Belgium and Sweden as well as Germany and Switzerland."

Lower interest rates and tax incentives would help stimulate industrial R&D, he said.

"But equally important would be a more enlightened attitude on the part of City managers who should positively encourage re-investment in the longer term development of the business over securing larger immediate dividends."

The root cause of the problem "is the cultural bias against industry which has long pervaded Britain," Sir Denis said.

"It is not only *outdated* - it represents a positive danger to the quality of our future life."

One manifestation of this "cultural deficiency" is "a lack of resolution to succeed in the commercialisation of technology," he said.

Another is the reluctance of UK banks to consider long-term loans at reasonable rates to finance industrial innovation.

"This combination of expensive and short-termist money is a major problem for the health of innovative industry," Sir Denis said.

Sir Denis: weakness in industrial performance

Drug policies founded on 'media myths'

PUBLIC policies on drug abuse are founded on a series of myths peddled by the media and widely believed by society, a leading specialist on addiction told the British Association writes Clive Cookson.

Prof Griffith Edwards, head of the National Addiction Centre at the Institute of Psychiatry, in London, said the myths were based on a series of false assumptions. People imagined wrongly that addiction was an imminent threat to society and was alien to healthy human experience. They thought of the addict as "inherently weak or psychopathic or otherwise fatally flawed in character" – someone not only corrupted but also corrupting of others.

Stigmatising illicit drug addicts was particularly unfair, Prof Edwards said, when millions were hooked on legal drugs: tobacco, alcohol and tranquillisers. Cigarettes killed 100,000 to 150,000 people a year in the UK and more than 1m damaged their health through excess alcohol consumption.

Prof Edwards, who gave the keynote speech at the BA's Ciba Foundation debate, was supported in his demand for better balance between the treatment for illicit and legal drugs. Prof Alan Maynard, of York University's Centre for Health Economics, estimated that the government spent £10m a year fighting alcohol abuse and more than £100m fighting illicit drugs.

BRITAIN IN BRIEF

Managers are 'lacking in expertise'

British businesses do not have the quality of management they need to succeed, according to a survey of bankers, accountants and lawyers. Fifty-four percent of the "intermediaries" polled said managers lacked the necessary expertise, while only 39 per cent felt they had the right qualities.

The professionals polled singled out financial skills as the most glaring deficiency of British management and highlighted the lack of management training. The survey was commissioned by CINVen, a large venture capital company.

Many managers lacked personal experience of previous recessions to help them weather the current economic downturn, the intermediaries said. Financial controls in UK industry were poor and senior managers appeared unable to to take a long-term or strategic view of business.

Complaints on holidays fall

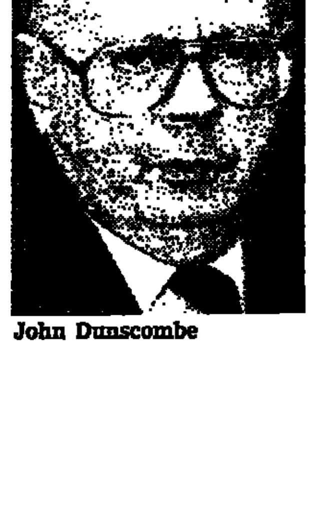
The number of holiday complaints this year has dropped by more than a quarter according to figures released yesterday by the Association of British Travel Agents (Abta).

Abta says that in the first seven months of the year, which covers the bulk of the holiday season, only 6,616 people had lodged a complaint with it compared with 9,017 in the same period last year.

Even though the number of package holidays sold this year is estimated by Abta to be 10 per cent down this year, the figures are encouraging for the travel industry.

Mr John Dunscombe, Abta's president, said that the fall in complaints reflected the new Abta codes of conduct for its members and tougher action against travel agents and tour operators which break these codes.

Last year Abta fined some 102 members for breaching its codes, with a top fine levied of £105,000.



John Dunscombe

Banks 'change marketing'

Building societies and banks have changed their approach to marketing and instead of being product driven, they are now increasingly-consumer led, says a report published this week by Mintel, the consumer research group.

However the report shows that consumer attitudes towards personal financial services are changing more slowly. Less than ten per cent of 1,695 adults surveyed by Mintel say they would be willing to pay a financial adviser a fee of £100.

People in the south-east of England are most willing to pay financial advisers, with 11 per cent saying they would do so, but only three to four of those in the north west and Scotland are prepared to pay for financial advice.

Though the banks' 44 per cent share of the personal savings market is now only marginally behind the 45 per cent share of savings still held by building societies, nearly three quarters of consumers feel that banks offer a poorer interest rate on savings. The report says that nearly four out of every five consumers feel that they would not like to keep their savings with a Japanese-owned bank or building society.

Policies for women slip

Policies for recruiting and retaining female employees have slipped down the list of organisations' priorities because of the recession, according to the findings of a survey of personnel officers published today. Just 19 per cent of personnel managers and directors believe policies geared to women, such as flexible working and help with childcare, will be more of a priority in the coming year. This compares with 36 per cent who considered it a priority in November 1990.

Staff are playing safe in the tight labour market by staying in their jobs, according to the 235 personnel managers and directors surveyed by Mass Observation.

TUC accuses Howard

Mr Michael Howard, employment secretary, is accused in a Trades Union Congress report published today of deliberately over-estimating the number of jobs that would be lost following the introduction of a minimum wage by a future Labour government.

According to the report produced for the TUC's annual conference which begins at the weekend, estimates of a possible 2m job loss "have been fabricated with the deliberate intention of scaring the electorate and taking the public's attention away from the government's own dismal jobs record".

Labour is pledged to introduce a minimum wage equivalent to half male median earnings, with an eventual move to third thirds of male earnings. The initial level, based on current figures, would mean a minimum hourly rate of £3.40.

Call for prison wage reform

Prison inmates should be allowed to earn realistic wages with outside employers, according to the ex-offenders organisation Apex Trust. The recommendation follows joint consultations between the trust and the prison service on the issue of work in prisons.

There are currently sufficient places in prison industries and farm workshops for only about one-fifth of the 45,000 prison population. Wages are under £3 for an average 23-hour week.

Strike ends

Miners at British Coal's Frickley pit are to return to work today after a three week strike over the dismissal of a colleague found sleeping underground.

The opposition Labour party will use a party "economic summit" this week to try to regain the political initiative by developing its attack on the competence of a government it says lacks not only long-term but short-term policies for ending the recession writes Alison Smith. At an meeting in Edinburgh on Friday, Mr Neil Kinnock, the Labour leader, (pictured above) will discuss with senior advisers how to refocus the party's economic message. Labour denies that the move comes in response to the positive coverage of Mr John Major, the prime minister, during the events in the Soviet Union, saying it had been planned.

BAA to seek fifth Heathrow terminal consent

By Paul Abrahams

BAA, formerly the British Airports Authority, will seek formal planning permission for a fifth terminal at Heathrow next summer.

The terminal, with an eventual capacity of 30m passengers a year, will be the largest ever built in Europe and will cost more than £1bn. The company intends to spend a further £350m on associated infrastructure and access routes to the terminal, as well as refurbishing the ageing terminal two.

However, BAA says its plans for the terminal will be unrealisable if the Civil Aviation Authority, which regulates the company, insists on imposing its proposals for limiting charge increases at the three London airports to eight percentage points below inflation.

BAA says it will not go ahead with the terminal without begin given guarantees on its future revenue streams.

When the CAA recommended the new charge levels last month, it said it would ensure the BAA was not deterred from going ahead with terminal five.

If an assurance on revenue is given, BAA's board proposes to give the go-ahead for the project in December. There will then be a six-month pre-consultation period with the local authorities about the environmental impact of the terminal. Plans will then be revised before being submitted for planning permission. A lengthy public enquiry is likely to take place.

The design of the terminal has already been scaled down by BAA. Sir John Egan, BAA's chief executive, has insisted that the building is constructed in two stages because of the project's cost. The first tranche will comprise of a terminal handling 20m passengers a year, while the second tranche will have a capacity for a further 10m. Originally, BAA planned to construct a building with a capacity of 30m passengers at one go. The terminal would have cost £1.5bn.

Meanwhile, BAA has reached agreement with Thames Water for the acquisition of the Perry Oaks water treatment plant which will be the site of the terminal. Thames Water has earmarked a site at Iver in Buckinghamshire for a new plant to replace Perry Oaks.

APPOINTMENTS

Senior post at Merrett Holdings

■ Mr Alan J. Cleary *(pictured)* has been appointed chief executive of the insurance services division of MERRETT HOLDINGS.

After a career with General Accident and Royal Exchange Assurance, he joined Thomas Howell, Selfe, loss adjusters, in 1963, and retired in March 1990 as deputy chairman and group managing director. He is chairman of the Institute of Risk Management. The Merrett Group says he will have no involvement in the group's loss adjusting activities until October 10, 1993.

Geophysicist joins Brabant

■ BRABANT RESOURCES, a Tonbridge-based independent oil and gas exploration and production company, has appointed **Mr J. Harry Peacock** as chief geophysicist. He has held senior posts with Britoil, and Geco Geophysical Company, and will be responsible for the geophysical operations of Brabant Petroleum and Brabant Oilex.

■ LOMBARD ODIER has appointed **Mr Robert McHenry** *as senior investment manager* in London. He joins from Wardley Investment Management Services.

■ McDONNELL DOUGLAS INFORMATION SYSTEMS, Hemel Hempstead, has appointed **Mr Les Cumming** as marketing manager for its products aimed at the distribution industry. He joins from Unisys where he held senior marketing posts.

THE WEEK AHEAD

ECONOMICS

Coup's collapse continues to dominate financial scene

THE collapse of the Soviet coup dominated the international financial scene last week and its repercussions will continue to be felt this week.

Financial markets recovered all or most of last Monday's losses. The lifting of uncertainty, combined with signs of economic recovery, helped the FT-SE 100 index to a new closing high last Friday.

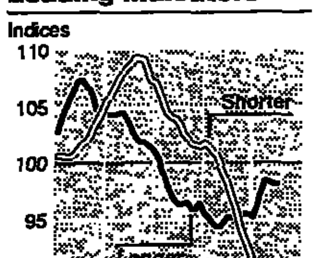
Economists have begun to assess the scale of the assistance the Soviet economy will need as a shield against repetition of last week's events.

According to Yamaichi, a Japanese securities house, Soviet economic growth is expected to drop by between 12 and 20 per cent cent this year, *with inflation likely* to exceed 100 per cent. The investment requirements, meanwhile, are immense. It would cost at least $135bn a year to bring all eastern Europe's capital stock up to date.

Apart from Germany, the consumer confidence figures in the US will be watched for further signs of a recovery after July's retail sales figures. Since peaking at the end of the *Gulf War at 81.0 in March*, consumer confidence has receded to 77.7 per cent in July.

Against this background, the *Federal Reserve is expected to* sanction a further easing in interest rates after the next set of US employment figures.

Leading indicators



Source: Datastream

Other market events and statistics, with forecasts from *MMS international*, the financial research company, in brackets, include:

Today: Germany, Mr Helmut Schlesinger inaugurated as Bundesbank president. US, consumer confidence in August, second quarter balance of payments, merchandise trade. France, trade balance for July, (down FFr2.8bn). Japan, June leading diffusion index. Australia, July manufacturing production, second quarter foreign debt, company profits.

Wednesday: US, second quarter GNP preliminary, GNP *deflator, second quarter after*-tax profits. Canada, July industrial product price index.

Thursday: US, July personal income, personal consumption, July new home sales, money supply, initial claims. UK, new motor vehicle registrations. France, second quarter preliminary GNP (0.6 per cent), July final consumer prices index (0.4 per cent). Japan, August preliminary industrial production (3.6 per cent). Australia, June manufacturing output price index, second quarter manufacturing stocks. Canada, June building permits.

Friday: US, July leading indicators, factory orders, shipments, August agricultural prices, July bank credit, commercial and industrial loans. Germany, second quarter GNP (down 0.5 per cent). Japan, Tokyo consumer prices index (3.7 per cent), national (3.8 per cent), July unemployment, construction orders, housing starts (down 21.2 per cent), construction starts, retail sales (annual 4.5 per cent), July trade balance and current account. Australia, July current account, building approvals (5 per cent). Canada, June real GDP, second quarter current account.

During the week: Germany, money supply, cost of living (0.3 per cent). Spain, trade balance (down $2.5bn). Italy, July trade balance (lira 1.5 trillion), *France, July unemployment* (9.5 per cent).

Rachel Johnson

DIVIDEND & INTEREST PAYMENTS

■ **YESTERDAY**
CMB Packaging FFr3.6
Treasury 10% 2001 5pc.
Treasury 10% 2001 B (Fully Pd) £1.2329
Treasury 10% 2001 B (Ptly Pd) £1.2329

■ **TODAY**
Argyll Grp. 5.85p
Berkeley Grp. 3p
British Gas Int. Fin. 12¼% Gtd. Nts. 1994 6⅛pc.
Brown & Jackson 1.3p
Donelon Tyson 1p
Treasury 9¾% 2002 4⅞pc.

■ **TOMORROW**
Abtrust New Dawn Inv. Tst. 0.5p
Bank of Nova Scotia Fltg. Rate Sub. Cap. Debs. 2085 $348.80
Bridgestone Corp. 7¼% Bds 1999 3⅝pc.
Carlton Comms. 6.1p
Cigna Overseas Fin. 13% Un. Ln. 2008 6½pc.
City of Oxford Inv. Tst. 1.2p
Denmans Electrical 1.65p
Electricite de France 12½% Gtd. Ln. 2008 (Reg) 6¼pc.
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 £146.51
Mitsubishi Bk. Fltg. Rate Sub. Ln. Ptpn. Cert. 2000 $1613.19
Nat West Bk. Und. Var. Rate Nts. $183.04
Nationwide Anglia Bldg. Society Fltg. Rate Nts. 1993 £290.65
Racal Elect. 2.6565p
Security Services 4½% Cm. Pf. 1.575p
Shaw (Arthur) 2.8p
Sterling Tst. 2p
Swan (John) 13.2p
Wellman 1.4p

■ **THURSDAY AUGUST 29**
BET 9p
Bk. of Montreal 53cts.
Gestetner 1.8p
Do. Cap 0.075p
Greene King 7.5p
Merchants Tst. 2.5p

■ **FRIDAY AUGUST 30**
Allied Colloids 2.7p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1994 £285.15
Bulgin (A.F.) 0.1p
Do. A N/Vtg. 0.1p
CST Emerging Asia Tst. 0.35p
Campbell & Armstrong 1p
Cassidy Brothers 1.5p
Cater Allen Gilt Inc. Fd. Ptg. Rd. Pf. 30p
Cater Allen Gilt & Futures Fd. Ptg. Rd. Pf. £40
Chase M'hattan Fltg. Rate Sub. Nts. 1997 $159.57
Chillington Corp. 0.75p
Collateralised Mortgage Secs. 11¾% Sec. Bds. 1996 £298.20
Do. Class A2 Mtg. Bckd. Fltg. Rate Nts. 2033 £296.32
Do. Class A3 £298.20
Do. Class A2 Mtg. Bckd. Fltg. Rate Nts. 2028 £296.32
Do. Class A3 £298.81
Do. Class A1 Mtg. Bckd. Fltg. Rate Nts. 2028 £291.19
Contra-Cyclical Inv Tst 2.25p
Danae Inv. Tst. 4.575p
Dawson Int. 6.1p
Debenham Tewson & Chinnocks 3.6p
Drayton Far Eastern Tst. 0.125p
First Chicago Overseas Fin. Gtd. Fltg. Rate Sub. Nts. 1994 $157.99
Foster (John) 9% Un. Ln. 1988/92 4½pc.
French (Thomas) 1.45p
Fujitsu 4⅞% Bds. 1994 With Wrrnts. 2$\frac{15}{16}$pc.
Geared Inc. Inv. Tst. 1.5p
Glasgow Inc. Tst. 0.6p
Great Western Fin. 22cts.
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 (Ser.A) £46.3
Hill Samuel Fin. Fltg. Rate Nts. 1996 $359.01
India Fd. 4p
Investors in Industry Int. Gtd. Fltg. Rate Nts. 1994 £288.27
Jersey Electricity A 10p
Jupiter European Inv. Tst. 0.1p
Lloyds Bk. Prim. Cap. Und. Fltg. Rate Nts. (Ser.3) $352.66
Do. (Ser.2) $157.99
Lon. & Assoc. Inv. Tst. 0.45p
Lovell (Y.J.) 2.2p
Manufacturers Hanover Tst. Fltg. Rate Sub. Cap. Nts. 1994 £144.14
Mexico Fd. 26.27cts.
Micrelec 2.6p
Murray Int. Tst. 2.5p
Nat West Bk. Prim. Cap. Fltg. Rate Nts. (Ser.C) $156.41
Nationwide Anglia Bldg. Society Fltg. Rate Nts. 1996 (2nd Ser.) £46.30
Neotronics Tech. 0.8p
Neste Oy Fltg. Rate Nts. 1994 $355.83
Oceana Cons. 0.75p
Olim Conv. Tst. 4p
Parkland Textile 4.2% Cm. Pf. 2.1p
Presidio Oil Class A 2.5cts.
Safeland 0.3p
Scantronic Hldgs. 2.185p
Scott Pickford 0.5p
Security Archives 5p
Sphere Inv. Tst. 0.9375p
State Dev. Institute 10½% Gtd. Bds. 2000 (Reg) 5¼pc.
Do. (Br) 5¼pc.
TMC P.I.M.B.S. Fifth Fin. £250m Iss. 6/8/2028 £266.35
Do. £250m Nts. Aug. 2030 £288.47
TSB Var. Rate Sub. Nts. 2003 £297.62
Throgmorton Tst. 0.9p
USLIFE Corp. 41cts.
Wells Fargo Fltg. Rate Sub. Nts. 1992 £10000.0

■ **SATURDAY AUGUST 31**
3i 8⅞% Un. Ln. 1992/97 4$\frac{7}{16}$pc.
Burmah Castrol 8½% Un. Ln. 1991/96 4¼pc.
Derby Tst. 8.3429p
Ecclesiastical Insurance 13% Db. 2018 6½pc.
Excalibur Grp. 11.5% Cm. Pf. 5.75p
Gibbon Lyons Grp. 7% Cm. Cv. Rd. Pf. 3.5p
Graham Wood 2.5p
Johnson & Firth Brown 11% Un. Ln. 1993/98 4.58pc.
Lon. & St. Lawrence Inv. 5% Cm. Pf. 1.75p
Lon. & Strathclyde Tst. 5% Cm. Pf. 1.75p
M & G Gold & General Fd. 0.328p
Nat West Bk. 7% Cm. Pf. 2.45p
Next 7% 1st. Mtg. Db. 1986/91 3½pc.
Do. 7¾% 1st. Mtg. Db. 1987/92 3⅞pc.
Prowting 14.5% Cm. Pf. 7.25p
RPH 8% Db. 1992/96 4pc.
Do. 4½% Un. Ln. 2004/09 2¼pc.
Do. 9% Un. Ln. 1999/2004 4½pc.
Do. 7⅝% Un. Ln. 1987/92 3$\frac{13}{16}$pc.
Second Market Inv. 2½% Cv. Un. Ln. 1994 1¼pc.
TR City of London Tst. 1.14p
Do. Pf. 7p
Do. 6% Cm. 1st Pf. 2.1p
Do. 6% Non-Cm. 2nd Pf. 2.1p
TR Far East Inc. Tst. 7% Db. 1997/2002 3½pc.
Temple Bar Inv. Tst. 6% Cv. Un. Ln. 2002 3pc.

■ **SUNDAY SEPTEMBER 1**
Aberdeen (City of) 10.8% Rd. 2011 5.4pc.
American General Corp. 50cts.
Buffalo & Lake Huron Railway 5½% 2nd Mtg. Perp. Bds. 2¾pc.
Do. 5½% 1st Mtg. Perp. Bds. 2¾pc.
Capital Var. Rate 1994 2.63pc.
Clarke Nickolls & Coombs 8½% Un. Ln. 1987/92 4¼pc.
Corp. of London 3½% Db. 1983/93 1¾pc.
East Surrey Water 7% Rd. Db. 1989/91 3½pc.
Do. 7¼% Rd. Db. 1991/93 3⅝pc.
Do. 7% Rd. Db. 1990/92 3½pc.
Do. 10% Rd. Db. 1997/99 5pc.
East Worcestershire Waterworks 7% Max 3.5p
Do. 3.5% Max 1.75p
Do. 3.85% Pf. 1.925p
Do. 2.8% Pf. 1.4p
Fleming Claverhouse Inv. Tst. 2.5p
Fleming Mercantile Inv. Tst. 3½% Rd. Db. 1960/95 1¾pc.
Ireland (Rep.of) 9¾% 1991/96 4⅞pc.
Jessups 7.3p Cv. Cm. Rd. Pf. 3.65p
London County 3% Cons. 1920 1½pc.
Do. 2½% Cons 1920 1¼pc.
Low & Bonar 6% 1st Cm. Pf. 2.1p
Do. 6% 2nd Cm. Pf. 2.1p
Do. 5½% 3rd. Cm. Pf. 1.925p
Metrpolitan Water 3% B 1934/2003 1½pc.
Oldham Met. Bor. Council 11.25% Rd. 2010 5⅝pc.
P & O 3½% Db. 1¾pc.
Do. 3½% 2nd Db. 1¾pc.
River Plate & Gen. Inv. Tst. 5% Cm. Pf. 1.75p
Schneiders (S.) 6% Cm. Rd. Pf. 2.1p
Slough Estates 8.25p Cv. Cm. Rd. Pf. 1.96644p
Tarmac 6¼% Db. 1989/94 3⅛pc.
Do. 7½% Db. 1992/97 3¾pc.
Do. 6¾% Db. 1989/94 3⅜pc.
Treasury 14½% Ln. 1994 7¼pc.
Treasury 8¾% Ln. 1997 4⅜pc.
Utd. Mexican States 16½% Ln. 2008 8¼pc.
Witan Inv. 8% Db. 1996/99 4 pc.

RESULTS DUE

GUARDIAN Royal Exchange, the composite (general and life) insurer, is expected to be in the red alongside Royal, Sun Alliance, Commercial Union and Eagle Star when it reports its half-year results on Thursday.

Losses are expected to be in *the £90m to £95m range, with* subsidence, recession-related crime and arson claims, as well as rates competition, contributing to the tale of woe. One bright spot for GRE is that it has only minimal exposure to the mortgage indemnity business, which could produce losses of £800m for the industry as a whole this year.

Also on Thursday, interim results from **Ladbroke Group** are expected to show just how badly the Gulf War and recession has hit its mix of hotels, betting and other leisure-based activities.

All the indications suggest that Hilton International had a torrid first half, while betting shops were affected by bad weather at race meetings and the Texas DIY chain suffered from the recession. Analysts are expecting a sharp fall in *pre-tax profits to about £100m*, compared with £158.2m at the same stage last year.

W.H. Smith, the retailing group, is expected to show little improvement on last year's pre-tax outcome of £84.1m when it announces its preliminary results on Thursday. The company forecast in May, at the time of its £147.8m rights issue, that annual profits would advance by about 3 per cent to £88.5m.

Recessionary trading conditions and escalating costs will have pegged back profits. But analysts will be keen to hear a further *elaboration* of the group's strategy now that it has decided to refocus activities on its core retailing businesses in the UK and the US.

Williams Holdings, the conglomerate, is expected to announce on Thursday an increase in taxable profits from £60.6m to about £70m for the six months to June, helped by this year's £404m takeover of Yale & Valor, the locks and domestic appliances group.

UK COMPANIES

■ **YESTERDAY**

BOARD MEETINGS:

Interims:
ADT
Printech Int.

■ **TODAY**

COMPANY MEETINGS:

Abtrust New Dawn Inv. Tst., 99, Charterhouse Street, E.C., 12.30
Blystad Grp., Institute of Directors, 116, Pall Mall, S.W., 11.30
Moorgate Inv. Tst., 49, Hay's Mews, W., 11.00

BOARD MEETINGS:

Finals:
Davies (D.Y.)
River & Mercantile Smaller Co's Tst.

Interims:
Dewhirst Grp.
Fairhaven Int.
HSBC Hldgs.

■ **TOMORROW**

COMPANY MEETINGS:

Allied Colloids, Stakis *Norfolk Gardens Hotel*, Hall Ings, Bradford, 12.00
Debenham Tewson & Chinnocks, Intercontinental Hotel, 1, Hamilton Place, W., 11.00
I & S Optimum Inc. Tst., 1, Charlotte Square, Edinburgh, 12.30
Pepe Grp., Hilton Hotel, 22, Park Lane, W., 11.00
Swan (John), New Mart Road, Gorgie, Edinburgh, 3.30

BOARD MEETINGS:

Finals:
Flextech
Primadona
Richmond Oil & Gas
TR European Growth Tst.
Trio Inv. Tst.

Interims:
ATA Selection
Aegon
Braime (T.F. & J.H.)
Bredero Props.
Fife Indmar
Guardian Royal Exchange
McAlpine (Alfred)
Mersey Docks & Harbour
Wace Grp.

■ **THURSDAY AUGUST 29**

COMPANY MEETINGS:

Bulgin (A.F.), Bypass Road, Barking, Essex, 3.00
Greene King, Theatre Royal, Westgate Street, Bury St. Edmunds, 12.00
Hollas Grp., Cottons Hotel, Manchester Road, Knutsford, Cheshire, 9.30
Jupiter European Inv. Tst., Knightsbridge House, 197, Knightsbridge, S.W., 11.30
Scottish & Newcastle Breweries, Edinburgh Sheraton Hotel, 1, Festival Square, Edinburgh, 11.30
Southern Water, Dome Theatre, Church Street, Brighton, 11.00

BOARD MEETINGS:

Finals:
Smith (W.H.)

Interims:
Barr & Wallace Arnold
Bridon
Edmond Hldgs.
Ladbroke
Monument Oil & Gas
Williams Hldgs.

■ **FRIDAY AUGUST 30**

COMPANY MEETINGS:

Ivory & Sime, Caledonian Hotel, Princes Street, Edinburgh, 12.30
Learmonth & Burchett Mngmt., Le Meridien Hotel, 21, Piccadilly, W., 12.30
Telfos Hldgs., World Trade Centre, International House, St. Katherines Way, E., 11.00

BOARD MEETINGS:

Finals:
Minerals Oils & Resources

Interims:
English & Overseas Props.
Macfarlane Grp. (Clansman)

Company meetings are annual general meetings unless otherwise stated.

CONSTRUCTION CONTRACTS

London water ring main development

FAIRCLOUGH BUILDING and **FAIRCLOUGH CIVIL ENGINEERING**, *subsidiary companies* of AMEC, the international construction, engineering and development group, have secured over £47m in major contracts.

Fairclough Civil Engineering has won the last and largest section of the London water ring main from Thames Water. At £17.6m the works consist of a 17km, 2.91 metre diameter machine driven tunnel in London clay, three shafts and *associated m & e works. In addition*, a specialist coastal protection contract at Morecambe worth £1.4m has been won by its marine division.

Fairclough Building has won several contracts around the country. In the south the largest is a £7.9m seven-storey grandstand at Newbury Racecourse followed by a £925,000 extension of the British Midland departure lounge at Heathrow Airport, Terminal 1.

In the north, the company has won the contract for the £14m Crowne Plaza Holiday Inn at Leeds, and a £3.5m contract for a mechanical letter sorting office for the Post Office at Doncaster. In Wales, Cardiff's Lewis Road development for Moors Housing Association provides a design and build contract in the Welsh housing sector worth £3m.

Bridge restoration in the North East

EDMUND NUTTALL has been awarded its third consecutive bridge refurbishment contract in the north east of England. As a result, from September Nuttall will be undertaking refurbishment work on major bridges over the region's three main rivers: the Tyne, the Tees *and the Wear*.

The latest contract, valued at £1.2m, concerns the oldest of five River Wear road crossings in Sunderland, the Queen Alexandra Bridge. The work, to be carried out for Sunderland Borough Council commencing in August, involves replacing corroded structural steelwork members, corrosion protection of remaining structural steelwork, and strengthening works in readiness to meet European Community requirements which come into effect on January 1 1999.

Prior to the Sunderland contract, Nuttall was awarded a bridge refurbishment contract on the River Tees Viaduct for *the Department of Transport*. Due to start in September, this 42 week £800,000 project has G. Maunsell & Partners as engineers. *It is essentially a sub*structure pilot scheme for the repair of chloride-contaminated crossheads and columns to a number of piers under the viaduct.

The scope of the work entails jacking up the deck whilst maintaining live traffic and then demolishing and reconstructing two piers with in situ reinforced concrete. After new bearings have been placed, the deck will then be lowered.

Meanwhile, Nuttall is continuing its £3.41m refurbishment works on the Scotswood Bridge over the River Tyne in Newcastle. The box girder bridge is having its deck *replaced and waterproofed and* other work includes bearing replacement, concrete repairs *to piers and strengthening* of the approach spans. Edmund Nuttall is an operating company of HBC, Hollandsche Beton Groep.

£43m orders for Mowlem companies

HERTFORDSHIRE County Council has awarded the Watford-M1 Link main contract, worth £11.5m, to Mowlem South East, Tilbury, a division *of* JOHN MOWLEM AND COMPANY.

The two-year contract is for the construction of a two-lane dual-carriageway between junction five of the M1 (Berrygrove interchange) and Watford ring-road, and includes connections into Lower High Street and industrial areas in North Watford.

This 2.7 km scheme includes six reinforced concrete bridges and three flood relief culverts, and runs largely on embankments which will be formed from brought-in fill material.

Mowlem South East has won a number of other contracts with a total value of £10m.

The largest, at £2m, is for the *National Rivers Authority*, and involves the design and construction of steel sheet piled flood defences on the Thames and Roding rivers in East London.

Mowlem Building North *Thames region is to construct* a three-storey extension at Barkingside police station, Essex, including refurbishing the present building.

Work starts this month on a contact worth about £3m. The extension will cover some 2,000 sq metres, and comprise three floors and a basement. It will be brick clad with a steel encased concrete frame.

Mowlem Northern has won orders worth more than £17m.

Largest is a £3.5m design and build contract for a European research centre at Ruddington Fields, Nottingham, for Ransom, Hoffman and Pollard, a division of Japanese holding company Nippon Seko (NSK).

The complex, scheduled for completion in January 1992, will provide 60,000 sq ft of office space and a large ball-bearing test rig area.

The Hexham office has begun work on the first phase *of the Hylton riverside development*.

The £2.75m design and build contract involves constructing 46,000 sq ft of office and industrial space within the Sunderland development zone for Sunderland Developments, part of the London and Edinburgh Trust, along with landscaping. Completion is scheduled for early 1992.

A £2.7m contract for the Department of Transport at Gatenby, near Leeming, in North Yorkshire has been won by the Gateshead office.

It entails construction of a new grade-separated interchange on the A1. The contract includes four sliproads, an overbridge and associated roadworks.

Wimpey to build motorway services area on the M5

WIMPEY CONSTRUCTION has received a £6.1m contract to build a motorway services area on the M5 near Strensham in Worcestershire. The scheme will relocate the northbound Kenning Services to a site one kilometre further north, near the M5/M50 junction. When completed in September next year, the facility will feature a restaurant complex, shops and related amenities within a landscaped environment. *Extensive lorry parking is* included in the scheme. Work has started, for completion in September 1992.

Hospital work for Higgs and Hill

HIGGS AND HILL MIDLANDS has started work on a £3m redevelopment of the Shropshire Nuffield Hospital at Shrewsbury for the Nuffield Nursing Homes Trust.

The first phase includes construction of an operating theatre suite, a self-contained sterile supplies unit, an endoscopy room, and a four-bed day care facility. An out-patients reception area, X-ray and ultrasound facilities, as well as five *consulting rooms* and three physiotherapy rooms will also be built. The new buildings are of traditional construction and are scheduled for completion by the end of this year.

The second phase comprises refurbishment of the present building, conversion of all patients' rooms to include en suite facilities, and refurbishment of hotel services and administrative departments.

"Toyota effect" in East Midlands

HALL & TAWSE GROUP has won a contract from the first car components company to follow Toyota to the East Midlands. The £2m factory in Burton-on-Trent is part of an £8m investment by American company Johnson Controls Automotive to supply all car seats for Toyota's factory at Burnaston.

The 5,300 sq metre factory is the second contract won by Hall & Tawse as part of "The Toyota Effect".

ARCHITECTURE

New bricks within old walls

"... The art of building is born out of a pre-existing germ; nothing whatsoever comes from nothing ... the type is a sort of kernel around and in accordance to which the variations that the object is susceptible of are ordered."

These are the words of the French writer and compiler of a 19th century dictionary of architecture, Quatremère de Quincy. He saw that tradition was part of architecture and that whatever is built somehow has a predecessor.

During the last three weeks and continuing during the next three, some 25 students from eight different countries are intensively studying architecture at The Prince of Wales's Summer School. I have been present at some of their deliberations, including the remarkable occasion when they were addressed by the current President of the Royal Institute of British Architects, Richard MacCormac.

Mr MacCormac spoke brilliantly about some of his recent work, including two chapels he has designed. His chapel for Fitzwilliam College, Cambridge, has been built. The other, which is a particularly good design, is sadly not going to be. It was for a new school chapel at Tonbridge School.

In my view it is a tragedy that the school, presumably under the influence of extremely reactionary conservationists, have decided to restore the damaged 1900 brick and sandstone chapel – an indifferent building by any standards – by the architect W. Campbell-Jones. MacCormac's design is a seminal one for a contemporary chapel and I only hope that some more enlightened client will build it one day. It has a great timber roof and walls that allow for the penetration of light in a way that is worthy of the best and most imaginative work of Sir John Soane. Only a conspiracy of philistines could have wanted to prevent the construction of this building.

The Prince's Summer School, in the catholicity of its tutors and the range of subjects that are being taught, from stone carving to sacred geometry, is naturally concerned with the fundamental role of tradition in the life of architecture. Taking place as it does in Oxford, Rome and the Villa Lante, it is inevitable that some of its major concerns involve the study of history and its application to the present. This concern has been exemplified recently in Oxford by the announcement of the proposals for a major new building for Magdalen College.

Demetri Porphyrios' winning designs for the new buildings at Magdalen

Oxford colleges have a mixed record when it comes to the commissioning of new buildings. They have unique powers of patronage and often unique access to substantial funds. They also have unique responsibilities to ensure that the future is as well served as the past. At Magdalen the college is especially fortunate in its possession of both a rare collection of collegiate buildings and a glorious series of landscapes. There is little in Oxford to rival the combination of water, deer park and groves of great trees. Architecturally the gothic holds sway from the surviving fragments of the late 13th century to the glories of the tower (circa 1509) and the creditable efforts of both 19th and 20th century goths.

During its history there was one serious attempt to introduce classicism in the form of the New Building (1733) by one Dr Clarke, probably with Gibbs as a consultant. But this one range of pedimented classicism was unpopular with the early Gothic revivalists and both Repton and Wyatt made unsuccessful plans to gothicise it. The recent invited competition organised to find an architect for a new series of buildings on the Longwall side of the college followed the well-tried Oxford method of invitations issued after soundings, visits and advice.

Fourteen architects were considered; visits and interviews followed and then presentations were made by 12 of the 14. Ultimately, after extensive consultation among almost all members of the college or their representatives, three were left on the short list. After one of these was finally dropped the vote was take between two final schemes, and the architect Demetri Porphyrios was chosen by a majority of two to one.

It is a fascinating tale of our times because the Porphyrios scheme was in final competition with one by the architect Ian Ritchie. Porphyrios had followed the Magdalen tradition of a group of stone traditional buildings, some with gables, others with castellated towers, and most of them in the collegiate gothic tradition. Ian Ritchie's design was more unified and striking in its use of glass to make a series of new oriels.

The college produced an excellent and detailed brief asking for accommodation for 90 students and fellows, a lecture theatre for 150 and large public rooms and computer facilites. The desires of the college were explained in detail – oak staircases with decorated newel posts, 9ft high ceilings, fireplaces, the use of stone where possible and a generosity of construction ond detail. Although no specific stylistic requirement was given, the designer was asked to incorporate details familiar to the Oxford scene.

Porphyrios has totally understood the Oxford college aesthetic, especially the sense of serial arrangement of towers and ranges of buildings that typify Magdalen. His lecture theatre is classical, his accommodation Tudor gothic. The college made it clear that they did not want something that looked as though it had come from another planet.

There is in fact something about this design that says "Oxford College" in its very essence. That great early 19th century architect Lequeu designed a project for a wonderful cowshed in the shape of a stylish cow in 1820. Saarinen designed an air terminal in the form of a giant bird. Even Mendelsohn proposed a car factory in the form of a streamlined automobile in 1914. The new buildings at Magdalen embody the essence of monastic collegiality. They will be familiar and probably beautiful. They will have to be immaculately built.

Colin Amery

The Fiery Angel

ROYAL ALBERT HALL & RADIO 3

This is, of course, the Prokofiev centenary year; and London's biggest celebration so far has been reserved for the Proms. Like a gigantic machine unstoppably in motion, his fourth opera took possession of the Albert Hall. Even before this brilliantly successful BBC Philharmonic Orchestra concert performance, many Prokofiev admirers had deemed *The Fiery Angel* the boldest and grandest of all his compositions; after it, the conviction must surely have claimed many more adherents.

This will be long remembered, I've no doubt, as one of the highlights of the whole Prom season. It was conducted by Edward Downes, whose reputation as a Prokofiev champion has never been more completely justified (he and his BBC orchestra have recently been flexing their Prokofiev muscles on a Festival Hall cycle of the seven symphonies – including, naturally, the Third, based on the opera). An expertly chosen cast – the leading lights of whom, plus Downes, will be reassembled for Covent Garden's *Fiery Angel* production next season – and the BBC Singers (in wonderfully confident form) made light of the sometimes unreasonably demanding vocal lines.

The total was one of the most powerfully argued statements of Proms "philosophy" in the 1991 schedule: a neglected work (not staged in this country since the New Opera Company's 1965 Sadler's Wells production) of hugely demanding size and performance style, mounted in the lavish, thoughtful way that affords new light, understanding, and enjoyment.

The Fiery Angel needs such illumination: despite the dazzling array of its sound-inventions, it is a tough nut among 20th-century operas. This is so not because of anything inherently problematic in its subject-matter – a medieval tale of the possessed Renata and the havoc she wreaks on all (not least the knight Ruprecht) who cross her path – but because of the lack of coherence and continuity in the telling.

The opera is at its most absorbing, indeed, hair-raisingly thrilling, in those episodes dealing with the symptoms and details of Renata's obsessions, and in its scenes of witchcraft and the supernatural. The finale, a great convent cantata for possessed nuns, with Renata's soprano voice flying above and the Inquisitor's bass rumbling below, is like nothing else in opera (and this in spite of Prokofiev's debt to the Lisztian and Rimskian chromatic inheritance).

But in between the great set-pieces of fire-and-brimstone, the pace is in danger of flagging, because the musical and dramatic treatment lacks any kind of psychological perspective. There is no depth to the plot and its characters, only a highly-wrought and high-coloured surface.

It's the operatic equivalent of Primitivist art (in an excellent programme essay Christopher Palmer viewed the episodes of macabre comedy in terms of Disney cartoons). Though so much of the work cries out for the stage, this is where the danger lies for any producer: and this was the triumph of the concert performance. Given Downes's complete command of the work – his touch light as well as forceful, subtle no less than vigorous – one could relish the music without fretting about theatrical bumps and lacunae.

The young Russian soprano Galina Gorchakova sang the killer role of Renata with a voice of hot-metal colour, sumptuous texture, and ample volume; impossible to imagine her, or the superlatively nuanced, proud-voiced Ruprecht of that great baritone Sergey Leiferkus, equalled, let alone bettered.

In a large cast Felicity Palmer (Hostess and Mother Superior), Mikhail Krutikov (Inquisitor) and Robert Tear (Mephistopheles) did particularly well alongside such a splendid choice of principals.

There is a new DG recording of the opera (431 669-2), by the Gothenburg Symphony under Neeme Järvi, with a non-Russian cast led by Nadine Secunde and Siegfried Lorenz; it fills a need, but if before last night it seemed to lack communicative vitality, how much more so afterwards!

Max Loppert

Simple Minds

MILTON KEYNES BOWL

Simple Minds' engagement with the headier regions of political rock seems temporarily to have been suspended; as their recent album *Real Life* suggested and their concert on Saturday confirmed, they have retrenched to the cosier world of mainstream rock. They closed their British tour at Milton Keynes heading a bill that had mainstream written right through it. No doubt the BBC's involvement had something to do with it (the whole six-hour event was broadcast live on Radio 1), but the choice of bands seemed designed to appeal to the widest possible constituency. Only the energetic Dublin-based An Emotional Fish, given the hard task of launching the extravaganza, showed any real abrasiveness, and even that was mollified all too quickly by the execrable OMD, while The Stranglers, complete with a new vocalist, put in a solid set that included its regulation quota of old favourites.

Most of the crowd though had come to see Simple Minds, to join in the ritual of mutual admiration that links Jim Kerr and his band with their audience. In concert the true function of Simple Minds' songs is revealed; the broad washes of sound that raise the curtain on their anthems are designed to resound around large arenas. The chorus lines, full of repetition, beg to be sung back at the stage with their messages uncomplicated and uncompromised. It's a wonderfully successful formula-stadium rock at its most potent and perhaps of current bands only U2 could do it better. On stage they are magnificently professional, Kerr unflagging in his effort to keep the faith with his audience, each anthem launched from the tightest of drumming and most uncompromising of bass lines with guitar solos stamped with authority; even projected to such a vast throng the sound was cleanly detailed and consistently involving.

But much of the edge has gone from their music. It was revealing that the tightest, most distinctive number of the night was a hard-driven version of the 10-year-old *Love-song*, while much of the recent material blurred one song into the next with an easy competence. Two years ago Simple Minds released *Street-Fighting Years*, the album that signalled the high point of their political consciousness; when *Belfast Child* from that collection appeared as a final encore it seemed like a very conscious piece of nostalgia.

Andrew Clements

EDINBURGH FESTIVAL

Philharmonia Orchestra

USHER HALL

The last time I heard *The Rite of Spring* at the Edinburgh Festival was in the 1970s, when the Israel Philharmonic Orchestra and Zubin Mehta, on tour at the festival, came wildly adrift about ten minutes into the piece and arrived at the half-way mark in a complete shambles.

This year there was no such disaster. The *Rite of Spring* had been scheduled in one of a group of three concerts given by The Philharmonia under its Principal guest conductor, Esa-Pekka Salonen. Each programme included one of the three favourite Stravinsky ballets, together with a section of Debussy's *Images* to start and a Bartók or Shostakovich concerto - not difficult 20th-century music and yet the hall was shamefully empty.

Unlike the unfortunate Mehta, who had spent much of the time before disaster struck dancing a ballet of his own on the podium, Salonen is a businesslike Stravinsky conductor. His beat is clear and decisive. Nothing much of importance escapes his attention. The Philharmonia, though it does not sound effortlessly flamboyant in this repertoire as some orchestras can, responded to him with what seemed to be real concentration.

At best, their performances enjoyed all the benefits of a young man's energies. Salonen takes the fast music a fraction up on the speeds which Stravinsky himself used (though not so much as Rattle has done in these pieces). *The Rite of Spring* worked up a fine head of steam, rhythmical and clear-headed Stravinsky playing, disfigured only at a few climactic moments, where Salonen allowed himself grandiose gestures.

On Saturday, the *Petrushka* was good on high spirits, less interesting in the depiction of the comic and grotesque characters that make up the story. There is a wealth of detail to be drawn from the orchestral writing in this score and Salonen was content to let it be subsumed by the whole. There was also some untidy ensemble. It was good to hear the complete *Firebird*, however. This is the least often done of the three ballets and the extra brass, positioned in corridors, made a splendid effect.

The three concertos were carefully chosen and well executed. The least compelling was Barry Douglas's account of the Third Piano Concerto by Bartók in the last programme, which exhibited a certain blunt power, but not the glitter by which Hungarians like Ranki, for example, have made the piece dazzle.

The other pair of performances would be difficult to better. Yury Bashmet is the world's most celebrated exponent of the Bartók Viola Concerto at the moment and Heinrich Schiff deserves hardly less acclaim for his playing of Shostakovich's Second Cello Concerto. Each is able to draw the listener into the inner world of the music - memorably so in the case of the Shostakovich, an often withdrawn and interior score composed during the long period when it was impossible even for music to speak out openly in the Soviet Union. Its message last week felt doubly powerful.

Richard Fairman

Picking at the Fringe

Frank Skinner has won the Perrier Award for the best cabaret performer on the Fringe at Edinburgh this year. As well as £1,500, he gets a booking at the Purcell Room on London's South Bank.

They should prove combustible dates. The Purcell Room is as atmospheric as a shoe-box; Skinner is the most outrageous comedian to emerge in years. He won the Perrier in close competition with the drag Queen Lily Savage and the deadpan comedian Jack Dee and against the fierce opposition of those panel members who reckon Skinner to be an unreconstructed sexist. He is the cheekiest chappie since Max Miller, whom he resembles in his ability to suggest that it is the audience that is driving him on to ever more outrageous sexual explicitness. He works a room like a pickpocket, selecting victims whom he confronts almost physically, daring them to punch him on the nose. Skinner, who is appearing at the Pleasance, is unsubtle, provocative, remorseless, and very, very funny. He was a brave choice.

For years the Edinburgh Fringe has been in thrall to the standup comedian. This year he has made way for the play but, in a triumph for evolution, the best plays have been written by standup comedians. I have already praised Arthur Smith's *An Evening with Gary Lineker*. Smith is having a very good Edinburgh. His success of last year, *The Live Dead Show*, reopened yesterday and another new work *Trench Kiss*, is charming them in at the Pleasance. It demonstrates Smith's ability to tackle ambitious themes with light-fingered delicacy and locker-room dialogue: an Alan Ayckbourn in bovver boots.

Smith appears in *Trench Kiss* as a First World War buff whose perfect holiday is reciting the names on the graves in Ypres cemetery. His long-suffering wife wanders off and comes across a young officer detached from his trench and 70 years of history. She smuggles him back to modern London but the call to duty is paramount and he returns to Flanders, having first discovered through a call to the Imperial War Museum that it is his fate to be missing in action. Smith concentrates on the comic, and the tragic, gulf between the decency and prejudice of a 1916 gentleman and the humanity and boorishness of a modern man.

Two more standups who have come over all dramatic are Phil Cornwell and Rick Stone who have co-operated on *Once Upon a Time in Tottenham Hale* at the Assembly Rooms. Dave and Billy are petty criminals cum business men who are awaiting the guests for their ham and beer party. Their previous dos have been great successes, "though I don't think the shooting was strictly necessary."

They are like a couple of tiger cubs constantly snarling and facing each other down. The London argot is quite brilliant, the characters recognisable as the tattooed outcasts you avoid on the Tube with their yearning and tiny lives. The jokes are as limited as the protagonists' brains but the scope for sadness is boundless.

The Natural Theatre Company are one of many such troupes better known abroad than in their homeland. Their mix of music and humour with theatrical coups make them perfect entertainment for the Fringe. *Scarlatti's Wedding* also holds up intellectually, being the revenge of Bach, Handel and Vivaldi against their fellow 18th century composer, who with his 555 sonatas was confident of immortality. The Ladybird Book of Composers flourished by his rivals proves him wrong. It takes skill to have an audience, wearing masks and party hats, hiding behind their seats only to leap up to scare Scarlatti with a rousing cheer and all before lunchtime. *Scarlatti's Wedding* was my most blithely enjoyable dip into the Fringe.

The Fringe, like the Festival, has been criticised this year for predictability and a shortage of outstanding productions. With more than 500 events, the Fringe has alwaysmeant quantity rather than quality. Higher seat prices meant that you were reluctant to take risks on speculative outsiders.

The £7 ticket for an audience with Cynthia Payne seemed hefty, although her good sense on sex makes her cheaper than a visit to a psychotherapist. Others worthy of support are Karl MacDermott, whose *An Afternoon with Klaus Barbie's Penpal* at the Gilded Balloon neatly proved that his surreal imagination is currently stronger than his jokes, and Craig McMurdo, who was into the 1940s music of Louis Jordan before *Five Guys Named Moe*, and who would reap more credit if he could keep his chatter in check and let his band play on, in the Dream Tent in the Meadow.

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ ATHENS

Herod Atticus Theater 21.00 Concert by the Boston Symphony Orchestra conducted by Seiji Ozawa. Fri and Sat: Spyros Evangelatos' Amphiteatro presents Aristophanes' play Peace. Thurs in Lycabettus Theater: National Ballet of Ivory Coast. The two remaining festival performances at Epidaurus this summer are on Fri and Sat: the State Theatre of Northern Greece presents Bacchae by Euripides. Tickets for all Athens Festival and Epidaurus Drama Festival performances can be bought at the festival box office, 4 Stadiou Street (322 1459)

■ BERLIN

Deutsche Oper 18.00 The new season opens with John Dew's German-language staging of Les Huguenots by Meyerbeer, born 200 years ago on Sep 5. Stefan Soltesz conducts, and the cast includes Richard Leech and Lucy Peacock. Repeated Fri, also Sep 2 and 5. Tomorrow and Sun: Die lustigen Weiber von Windsor. Thurs: Der fliegende Holländer. Sat: Fidelio (West Berlin 3410 249)

Freilichtbühne an der Zitadelle 20.00 Open-air performance of Moliere's Tartuffe, runs till Sep 5 (West Berlin 3316 920)

Tribune 20.00 German-language production of Moliere's Le Malade imaginaire, with a cast led by Horst Schultheis. Daily (West Berlin 3412 600).

Schiller Theater The new season opens on Sat with Lessing's play Minna von Barnheim (Sun: Goethe's Iphigenie auf Tauris) in the main theatre, and Anouilh's The Ladies' Band (L'Orchestre) on Sat and Sun in the Werkstatt (West Berlin 3195 236)

■ DRESDEN

Semperoper 19.00 Die Entführung aus dem Serail. Tomorrow and Sat: Der Rosenkavalier. Thurs: Cosi fan tutte. Fri: Ariadne auf Naxos (484 2323)

Schauspielhaus 19.00 New production of Goethe's Stella directed by Wolfgang Engel, also Fri and Sat (484 2323)

■ GENEVA

Hôtel de Ville 20.30 Piano recital by Gustav Gertsch, with music by Beethoven, Webern, Debussy and Liszt. Thurs in the Grand Casino: concert performance of Othmar Schoeck's opera Venus, with a cast led by James O'Neal and Lucia Popp (289982)

■ LONDON

MUSIC

Queen Elizabeth Hall 19.45 Trevor Pinnock directs the English Concert in a performance of Mozart's arrangement of Acis and Galatea, with Barbara Bonney as Galatea and John Tomlinson as Polyphemus. Tomorrow: William Christie conducts the Orchestra of the Age of Enlightenment. Thurs in Festival Hall: John Eliot Gardiner conducts concert performance of Mozart's Entfuhrung. Fri: recital by Arleen Auger. Sat and Sun: Roger Norrington and the London Classical Players host a weekend of events focussing on Mozart's last year (071-928 8800)

Royal Albert Hall 19.30 Franz Welser-Moest conducts the London Philharmonic Orchestra in Beethoven's Egmont overture, Berg's Seven Early Songs with Felicity Lott, and Bruckner's Seventh Symphony. Tomorrow: Richard Hickox conducts Poulenc's Gloria and Walton's Belshazzar's Feast. Thurs: Ashkenazy conducts Walton's First Symphony. Fri: Peter Eotvos conducts Birtwistle's Earth Dances. Sat: Tennstedt conducts Beethoven's Ninth. Sun and Mon: Semyon Bychkov conducts Orchestre de Paris (071-823 9998)

THEATRE

Tango at the End of Winter: the London premiere of Kunio Shimuzu's Japanese play, in a transfer of the Edinburgh Festival production directed by Yukio Ninagawa, with a British cast led by Alan Rickman. Previewing tonight, press night tomorrow (Piccadilly 071-867 1118).

When She Danced is Martin Sherman's play (1985) about the legendary dancer Isadora Duncan and her relationship with the Russian poet Sergey Esenin. Vanessa Redgrave stars in the West End premiere, directed by Robert Allan Ackerman (Globe 071-494 5065).

Spunk is a widely-acclaimed New York Public Theatre production written and directed by George Wolfe, adapted from short stories by the black American Zora Neale Hurston, using blues and dance to illustrate three compelling tales of survival (Royal Court 071-730 1745).

Uncle Vanya is a Renaissance Theatre Company production of Chekhov's play in a version by Pam Gems, directed by Peter Egan and Kenneth Branagh, with a cast led by Richard Briers as Vanya and Peter Egan as Astrov. Ends Sat (Lyric Hammersmith 071-836 3464).

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ LUCERNE

Kunsthaus 20.00 Zubin Mehta conducts the Israel Philharmonic Orchestra in Mahler's Fifth Symphony. Tomorrow: Mehta conducts all-Mozart programme, with Radu Lupu soloist in Piano Concerto No 25. Tomorrow in Hotel Schweizerhof: piano recital by Mieczyslaw Horszowski. Thurs: Jessye Norman recital. Sat and Sun: Abbado conducts the Berlin Philharmonic. The Lucerne Festival runs till Sep 11 (041-235272

■ NEW YORK

MUSIC

There are no performances at the principal opera or concert venues this week. The New York City Opera season continues on Sep 4 with a new production of The Most Happy Fella, a 1956 Frank Loesser musical, with the veteran baritone Louis Quilico in the title role (870 5570). The New York Philharmonic Orchestra's 1991-2 season begins on with a gala benefit on Sep 11, followed by the first subscription concerts on Sep 12, 13 and 14. Kurt Masur will conduct two short works by John Adams and Copland's Old American Songs (with the baritone Thomas Hampson), followed by Bruckner's Seventh Symphony (875 5030). The Metropolitan Opera season opens with a gala performance of operatic extracts on Sep 23 (362 6000). Carnegie Hall re-opens on Sep 24 with a concert by the Saito Kinen Orchestra conducted by Seiji Ozawa (247 7800)

BROADWAY THEATRE

Long runners include Neil Simon's Pulitzer Prize-winning play Lost in Yonkers (Richard Rodgers Theater), Six Degrees of Separation, John Guare's dark comedy (Vivian Beaumont Theater, Lincoln Center), The Will Rogers Follies, a musical which won six of this year's Tony Awards (Palace Theater), The Secret Garden, a musical fairy tale (Saint James Theater), Once On This Island, a musical romance set in the Caribbean (Booth Theater) and Miss Saigon. Ticketron answers inquiries and sells tickets (246 0102)

■ PARIS

Auditorium, Forum des Halles 20.30 Georges Pludermacher and Jean-Francois Heisser give a Mozart recital consisting of four-hand piano transcriptions. Thurs: Ensemble Flexus presents a programme of pastiches and transcriptions. Tomorrow at Eglise Saint-Severin: Il Seminario Musicale presents an evening of choral music. These are the final concerts of the 1991 Festival Estival de Paris (4804 9801)

■ VERONA

Arena 21.00 Daniel Nazareth conducts Giuliano Montaldo's production of Turandot, with Ghena Dimitrova in the title role, Bonaldo Giaotti as Timur and Nicola Martinucci as Calaf. Tomorrow and Sat: Nabucco. Thurs: John Cranko's production of Romeo and Juliet. Fri: Rigoletto, with Sylvano Carroli, Salvatore Fisichella and Alida Ferrarini. Sun: Closing gala concert of Mozart, with a line-up including Ann Murray, Katia Ricciarelli, Francisco Araiza and James Morris (045-800 5151)

■ VIENNA

Arkadenhof 20.00 Franz Bauer-Theussl conducts the Tonkünstler Orchestra in music by the Strauss family, Kurt Schwertsik and others, with cello soloist Rudolf Leopold (4000 8400)

Staatsoper/Volksoper The new season opens on Sun with Parsifal (Staatsoper) and Kalman's operetta Gräfin Mariza (Volksoper). The Staatsoper repertory in the first week of the season also includes Turandot with Eva Marton, Die Zauberflote with Barbara Bonney and Robert Lloyd, and Der fliegende Holländer. Ticket reservations for holders of credit cards can be made by phoning Vienna 5131 513

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Tuesday August 27 1991

Next steps and Moscow

MAJOR concerns now face the Soviet Union – and the world. As ever, responsibility for *reform lies in the first instance* with whatever constitutes authority in the Soviet Union, *now mostly its constituent* republics. But the part which other governments and international institutions can play is becoming clearer.

First, the Soviet authorities must clarify control of the *Soviet nuclear arsenal. It is* unclear who controlled release codes for nuclear warheads during the three days President Gorbachev was held in captivity. The rest of the world needs re-assurance that the system is in safe hands.

Second, there must be as rapid as possible an identifica*tion of where political respon*sibility lies. The coup has accelerated the destruction of the union and the Communist party. It thus "frees" the republics to face, without a central scapegoat, a skein of interwoven problems before which any politician would quail. With the slate wiped *almost clean, they must* work out how to co-operate; the devil is in the detail.

Third, and as a consequence of this necessity to co-operate, the republics must develop some a common political structure sufficient to deal with the most urgent problems which face them. These are their borders; *the ethnic minorities* within them; and their economies, including the complex question of property rights.

Policy on minorities

There is no republic whose borders are not disputable – which almost certainly means they will be disputed. Yugoslavia could soon look like child's play in comparison. Within the Soviet Union's borders lies a jumble of 130 nationalities – some tiny, some great – most of all, the Russians, whose empire this land has always been and who live in their millions in all republics. It is most urgent to agree and sustain a policy on minorities which grants full rights and which is strong in its determination to protect against discrimination and attack. It is difficult to see this volatile situation being managed effectively without external mediation: *the United Nations* will need to be ready to play a part.

General ruin

The sharing out of union property and resources impinges on the welfare of all, since it means parcelling out enterprises and resources *which have been designed and* run as an integrated if inefficient whole. Yet again, past practice has been dispiriting: republics are seeking to grab what they can, to shore themselves up against general ruin *by closing their markets.*

Fourth, the new authorities, with Russia necessarily in the *lead, must develop a political* strategy and style which mixes authority with the encouragement of a developing pluralism. If there is to be a union government, it must soon have an elected president and government, with alternatives preparing themselves for future power, as Mr Gorbachev *seemed to acknowledge* yesterday. Within the republics, parties must also prepare for both power and opposition. The economic hurricane still to come across the land cannot be withstood without mutual restraint from those who propose themselves as future leaders.

Lastly, the world community *must determine the mode of its* interventions, driven, as it must be, by the pace of events in the Soviet Union. Emergency aid for this winter is one thing, and manageable, but basic decisions on structural assistance cannot be long delayed. The central pillars of such a programme must be the world financial institutions, the IMF, the World Bank, the EBRD and the OECD. At least *they can now expect to deal* with more willing partners in Moscow and the republics, such as, in the capital, the new inner cabinet which includes Mr Grigory Yavlinsky, co-author of the one plan advocating a framework for international collaboration. The west still awaits from Moscow a credible framework; once this exists, a prompt and imaginative response will be in order.

The Baltic case

THERE IS now no over-*powering reason not to recog*nise the independence of the three Baltic republics, but it must be done with care. There had been a reasonable desire in the west not to precipitate a break-up of the Soviet Union. There was the hope that the Soviet centre, personified by Mr Gorbachev, could hold and prosecute *political* and economic reform. His co-operative foreign policies were another *reason not to undermine him* at home.

All this has changed. The initiative and the responsibilities now lie with the republics, of which the Baltics are a special case. Their annexation in *1940 has never been interna*tionally recognised in law by the west, which cannot be said of any other republic. Critically, in the present juncture, Mr Boris Yeltsin, the Russian president, has supported their independence.

But there is a danger. The most important task facing the *emerging new power structure* is forging a union treaty able to provide a framework for eco*nomic reform. Recognising* all those republics with claims to independence may make this impossible. Equally the Baltic states must themselves exercise patience and caution.

UK trade winds

AGAINST the past year's gloomy economic back-drop, UK exports have recently provided a little cheer. Yet the current account remains in *deficit and is likely to deterio*rate over the coming year. Whether this rising deficit is storing up future problems is a moot question. But the omens are not encouraging.

The UK has a current account deficit because consumers and companies consume and invest more than the economy produces; the extra spending is financed by loans. Over the past decade consumption has been twice as important as investment in bringing about the deterioration in the external balance. There is no *binding reason for consumers* and companies to start repaying this debt in the near future, but until they do, returns on UK assets must remain high enough to persuade foreign investors to lend.

The need to keep investors happy is the main reason a persistent and substantial current *account deficit matters. For if* investors believe that exports are uncompetitive at the cur*rent exchange rate then the* perceived risk of a devaluation will grow. Sterling will weaken and interest rates will need to be higher than in most other members of the ERM.

The fall in the UK's external deficit over the past year has been the result of the recession, not improved competitiveness; import volumes have fallen for the past four quarters. None the less, a June surge in exports prompted some analysts to herald a UK export renaissance. The car *industry's performance is cited* as evidence: in the three months to July, car export volumes were 61 per cent higher than a year ago.

Sadly, car exports account for only 4.6 per cent of total exports. Elsewhere, however, export performance has been *disappointing. In the first* seven months of 1990, export volumes, excluding oil and the erratic items, rose by 8.7 per cent compared with 1989. This year volumes were up by just 2.9 per cent. Over the past year, the growth of UK export volumes has been slower than those of the US, Germany, Japan and France.

The evidence suggests that a boost to UK manufacturing competitiveness and profitability will be needed if the trade deficit is to narrow and if the UK is to avoid a long period of *slow growth. With sterling* fixed in the ERM, a real exchange rate devaluation can only come about if British unit labour costs grow more slowly than in the rest of Europe.

Over the past year UK unit costs have outpaced those of the competition, but the prospects look better. British wage *settlements are running below* those in Germany; and UK productivity should pick-up while *German output growth begins* to slow. Yet this fall in UK wage inflation carries a high cost in terms of lost employment. Unemployment may have to remain high to prevent resurgent wage inflation.

For the government, the trade deficit may cause problems sooner than it might hope. If Labour remains strong and investors perceive equivocation in its pledge not to devalue, interest rates may even have to rise before the election. The deficit, the gov*ernment argues, is a product of* private, not government, decisions. But these private decisions could still be its undoing.

After communism, a splintered politics is emerging among the diverse constituents of the disintegrating empire, writes **John Lloyd**

Power to the Soviet peoples

The future is already being built as the ruins of the past collapse. Those politicians – first among them Mr Mikhail Gorbachev, the Soviet President – who hope to retain the energy and the authority to shape that future, were yesterday sketching in its lineaments.

Mr Nursultan Nazarbayev, the president of Kazakhstan who until last week was also the leader of the republic's Communist party, told the Supreme Soviet that the union could now only be a *confederation*, a "free union of sovereign republics" with the central powers limited to *guarding the borders*, administering trans-union communications and transport and "a general conception" of international relations. In addition, a form of economic agreement would be signed – perhaps on the model of a poor man's version of the European Community. Essentially, this proposal, from a man who has been the most powerful player in republican politics *after* Mr Boris Yeltsin, is for government by a committee of republican leaders.

Mr Gorbachev, though he has cast away so many of his garments in these past few hectic days, still cleaves to a stronger version – pro*posing that, after the signing of a* renewed version of the union treaty, there should be elections for a union government and for his own post as union president. It is the only hope he has left for renewing his authority: but if this were to be agreed, he and his government would have an independent source of power which would not accord with Mr Nazarbayev's *vision of a confederation.*

In the first, there would essentially be little at the union level about which to have politics – since everything would be decided by the interplay of republican politics. In the second, all-union parties and movements would be bound to form around the campaigns and programmes of the presidential and governmental candidates – though for the foreseeable future, the real *political forces would* be concentrated within the republics, most now committed to finding some route towards independence.

Even if the three Slav republics are to proceed as separate states they face common problems

This will be hard, and the routes they find will be varied. One possibility is that mooted in a celebrated pamphlet, written last year by Mr Alexander Solzhenitsyn, the greatest Russian writer of the post war period. Mr *Solzhenitsyn*, still in exile in the US, wrote in his "How Are We to Reconstruct Russia?", that all the "*imperial possessions*" *should be cut* away from the body of mother Russia – but that Ukraine and Belorussia, the two other Slav republics, were essentially part of that body, and that their excision would be amputation. Historically, linguistically and politically, he argued, the call for their independence from Russia was a demagogic nonsense – so close were the ties, reinforced by shared struggles, shared repressions, by intermarriage and by migrations.

*This remains to be proved or dis*proved: certain it is that many in these two republics, especially those who are Russian or of mixed race, would hope he was right. However, even if these three Slav republics are to proceed as separate states – which presently seems the more likely alternative – they face common problems. In all of them, the overpowering issue of an anachronistic economy, now *facing* the shock of the world market, will land them with plant closures, *redundancies and demands for protec*tion of income against which their new governments – or old governments, if they can retain control – must struggle with a reducing national wealth.

As they do so, they will find their dispossessed turning to ever more violent and extreme forms of politics, no doubt assisted by the legions of former Communist Party and secret police officials who will have suffered a precipitate loss of prestige, power and income. These politics are not likely to be communist, but rather *nationalist – with the objects of their* frustration to be ethnic minorities within their borders, and foreigners outside of them. The Communist party had contained, sometimes encouraged these forces – but it kept them from unrestrained excesses. There is now nothing which can perform that function.

In Moldavia, where the bulk of the *population* consists of ethnic Romanians there is already great tension between that majority and the Russians on one hand and the Gagauz, a Christian Turk people, on the other: this tension is likely to imprison politics there within a nationalist grip. Moldavia's declaration of independence, to be formally announced today, will be accompanied by a state*ment that it will not seek union with* Romania – as some of its more extreme nationalists originally proposed. However, Mr Mercxea Snegur, the Moldavian president, said yesterday that he wished to "create conditions so that Romanians in both countries do not *feel* there is a border between them".

The Baltics, the last to lose an inde*pendence which they had enjoyed* between the wars and the first to claim back that independence, have already developed competing parties. In Lithuania, the Sajudis party surrounding the President, Mr Vytautas Landsbergis, has already split to make common cause with some of the reform communists to produce a social democratic grouping which opposes what it sees as his foolish refusal to negotiate with the Soviets. Here one can glimpse a political tra*jectory which has recognisable* west European contours – though for these states, too, the nationalist concerns which were stillborn in the war and the Soviet grip which followed, have far to go before they work themselves through and allow "normal" political development.

In the Transcaucuses, there cannot be such a thing as "normal" politics, and will not be for some years to come. The Republic of Georgia, which produced some 100 political groups, is *dominated by the struggle over the* rights and positions of its internal minorities – Abkhazians, Ajarians and most of all the South Ossetians, all with their own territories and all with a fear of Georgian domination. The Georgian intelligentsia has still to produce a liberal politics free of nationalist obsessions.

Armenia and Azerbaijan have found and *will find their politics* over-determined by the fight with each other over Nagorny Karabakh, and by *their mutual fears of each* others' aggressive intentions. They are historic enemies: Armenians call the Moslem Azeris "Turks", a name which conjures up the perpetrators of the holocausts unleashed upon them in the 1890s and in 1915. Curiously, *their present power structures reverse* their traditional stance: the Azeris, before the revolution hostile to the Russians, have in government still a conservative Communist Party, which welcomed the coup and which yesterday ordered the suppression of a demonstration celebrating its collapse; while the Armenians, who had looked to the Russians for salvation from the *Moslem world, have in power the rep*resentatives of an intellectually led nationalist movement which seeks *independence* from Moscow.

Boris Yeltsin, top left, greets Alexi II, patriarch of Moscow and All Russia, yesterday while an elderly Muscovite, above, celebrates a new era in Russia

The Central Asian states – Kazakhstan, Kirgizia, Tadzhikistan, Turkeminstan and Uzbekistan – were collectively known in pre-revolutionary times as Russian Turkestan and were cut up into "national" divisions in the 1920s and 1930s at a time when their national consciousness was confined to tiny groups of westernised intellectuals and their peoples had little concepts of borders or of central government. They have thus come into nationhood via the Soviet system: they have remained the poorest of the Soviet states (though richer than the contiguous Moslem states, like Mon*golia and Afghanistan*) and are traditionally inert, strongly controlled by their local Communist elites and sub*servient* to and dependent on Moscow.

Only Kazakhstan, with an industrialised sector in the north and with rich oil and other mineral resources, escapes in part from this – though it has as many Russians as Kazakhs within its borders, and indeed was proposed by Solzhenitsyn *as an hon*orary member of the Slav family. There, the more liberal developments of recent years have allowed *the ten*tative rise of Moslem nationalism – more than an echo of which is heard in the Russian autonomous republic of Tatarstan, which has like the Central Asian states a conservative communist leadership. *Moslem national*ism has yet to show itself as militant and as capable of challenging the authorities: *but with the collapse of* the Communist Party, and the discrediting of those leaders who sup*ported the coup*, it has much greater space to express itself than it has had in the Soviet period.

There is this much greater scope for a splintered politics across the Soviet Union – pursuing very largely differing agendas, responding to the beat of differing, potentially hostile, nationalist emotions – than there is for all-union movements expressing common aims and *policies.*

There is no question that the Soviet legacy has left many common features, and has tied these states in to an interdependent economic system where the autarchy of one contributes to the impoverishment of all. But the business of finding a national identity has been repressed for so long beneath the Soviet age that it can only, *so far, be the concern of political* intellectuals to attempt to construct trans-border, trans-ethnic, trans-religious groupings based on shared interests.

One such attempt is led by Professor Stanislav Shatalin, the co-author of the "500 Days" economic reform programme which was put on ice last autumn. His United Democratic Party has been an effort to draw together the democrats and radicals of all republics; while the Movement of *Democratic Reform* associated with Mr Eduard Shevardnadze and Mr Alexander Yakovlev, and the just renamed Peoples Democratic Party (formerly the Communists for Democracy) of Mr Alexander Rutskoi, the Russian vice president, are both fishing for members across the republican borders. They are, however, overwhelmingly Russo-centric: Mr Shevardnadze *is a Georgian, but is a politi*cal stranger in his own land, and has never attempted to enter its post-Communist political arena. Now, as the republics peel off into independence, there can be few non-Russians who would find it worth their while to seek to further the democratisation of a union which their leaderships and movements see as no longer relevant.

Soviet communism leaves another legacy: it really did succeed in creating a vast working class, even if it did *not manage to keep its loyalty or* destroy its various nationalisms. Working class politics will determine the base of developments in all of these republics, for in each, the class which has enriched itself, or has or could soon have ownership or control of substantial assets, is tiny, with the Communist part of it discredited and even under threat.

The social differentiation which, in the 18th and 19th centuries in Europe and elsewhere, propelled middle class then working *class politics, is still* at a primitive stage. Moreover, there cannot be a leisurely growth of popular political power, as wider and wider circles of the people are brought within the fold of democratic politics. Now, vast masses of people, many reasonably well educated, want power all at once and have a huge burden of grievances and frustrations.

The motto of Soviet politics today is: "Here Comes Everybody". The people want what the democracies got through a century or two of struggle and reversal. Telling them they cannot have it, but might build something like it *for future generations*, will be the task of a new crop of politicians who will have the most exciting jobs in the world – and the least secure.

OBSERVER

Wheeler dealer

■ As the world's air-waves *hummed with events in the* Soviet Union last week, Polish Radio suddenly put out a call for a bicycling economist. Would Marek Dabrowski, believed a-wheel in Lithuania, immediately contact the nearest Polish consulate?

The transmission strengthens expectations that *the cyclist will be the next* chairman of Poland's central bank, the NBP. The job will fall vacant soon when parliament approves the resignation of Grzegorz Wojtowicz, suspended after *his deputy was arrested on* charges of illegally issuing credit guarantees.

Dabrowski has already been a deputy finance minister – a post which he resigned last year over differences with Finance Minister Leszek Balcerwicz over monetary policy. Dabrowski thought it *was a mistake to be loosening* monetary controls at that time, and said so loudly in the ministry's internal councils.

But he is not the only candidate for the bank chairmanship. Another with eyes on the post is previously disappointed contender Andrzej Olechowski, a deputy *trade minister who left the* NBP earlier this year after Wojtowicz was appointed. Since then Olechowski, who has worked at the World Bank, has been wrestling with Brussels to get Poland the best terms in an association agreement with the European Community.

Hidden gems

■ No sooner has Dickson Poon snapped up Britain's Harvey *Nichols, than Observer hears* that another Hong Kong Poon is out to corner the world market in cattle gallstones.

At £6.30 per gramme, they are like gold dust to the Chinese who have been employing them for over 2,000 years to *make potions which they use* much as westerners do antibiotics. In search of added supplies, Elizabeth Poon has not only contacted the Walsall Chamber of Commerce but is keen to hear from butchers elsewhere interested in making extra money.

Like human beings it seems, *only a small percentage of* cattle have gallstones, so Ms Poon recommends that each bladder be opened and checked. "Punch a hole in the gall bladder and allow the fluid to drain. Remove any gall*stones and place them in a* kitchen colander or small basket to dry in a drafty place", she advises helpfully.

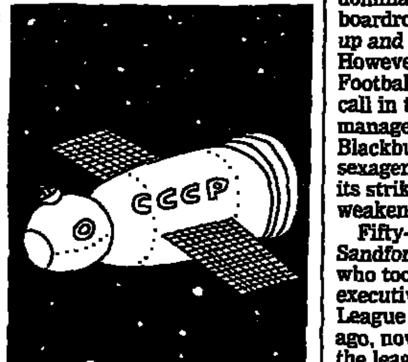
The stones, golden brown in colour, range in size from as small as a pigeon's egg to as big as a hen's. "Don't dry stones under direct sunlight which can cause them to turn *black making them less valu*able. Never let the stones become mouldy. When dried the stones should be tightly packed in a plastic bag, inside a strong container lined with cotton wool or plastic foam."

Anyone interested should contact Ms Poon (Hong Kong fax number 8523110693). Who *knows, it could be the answer* to the financial problems of Britain's cattle merchants.

Danish first

■ Denmark is particularly proud that it has won the race to be the first western country to appoint an ambassador to Latvia, one of the three breakaway Baltic republics.

Danish foreign minister Uffe Ellemann-Jensen has taken the lead in pleading the Baltic *countries'* case in the EC, at the Conference on Security and Co-operation in Europe, *and among Nordic colleagues.* He has been anxious to erase the stain of appeasement of Soviet interests with which



"Hello Control, can someone turn the Swan Lake off?"

Denmark was marked in ear*lier years. The swift appoint*ment of an ambassador to this sensitive area is another reminder to Denmark's Nato allies that it is no longer overly servile to the Soviets.

Otto Borch, Denmark's new man in the Latvian capital of Riga is one of the country's most distinguished diplomats. *As ambassador to Nato* and to Washington, he was often involved in trying to smooth things over when the politicians back home insisted on reserving the country's position on a variety of Nato issues, often to the intense irritation of its allies. Having just served three years as ambassador in Stockholm, Borch was due to retire on reaching 70 next month.

Whistle blower

■ Is Britain's Football League really going to exhaust its members' *sparse funds* by dragging the elderly Football Association through the courts to hold off the threat from the FA's proposed premier league?

Until a week ago the decision would have been made by the self-made men dominating the smoke-filled boardrooms of football clubs *up and down the land.* However, now the 103-year-old Football League has had to call in the receivers, its management committee under Blackburn Rovers' sexagenarian Bill Fox has had its striking power markedly weakened.

Fifty-year-old Arthur Sandford, *a former town clerk* who took over as chief executive of the Football League less than two years ago, now finds himself running the league in conjunction with an accountant who knows nothing about football. He is Ian Watt, aged 58, a partner of KPMG Peat Marwick.

His selection is *significant.* His firm is not associated with the FA or the league, and he made his name as a Department of Trade and Industry inspector into the complicated affairs of Guinness *and Alexander Howden.* Clearly, he is not just a standard company receiver, and his skills may help to end a bitter dispute clouded more by emotion than financial commonsense.

In a field which suffers from a dearth of business talent, let's hope Watt's guest appearance marks the start of a new ball game.

Nice timing

■ In terms of great Russian business coups of our time, conference-organiser Sue Wake's latest on-off-on venture takes some beating.

When originally planning a Europe-USSR Law and Co-operation forum, she booked it for Moscow's Ukraine Hotel, across the river from the Russian Parliament, last week – guest speaker one Mikhail Gorbachev. But worries about *attendance* led her to re-schedule it for late October.

Gorbachev must be praying her luck holds out.

There is a growing feeling in UK industry that the worst of the recession is over. In the first of three articles, **Michael Cassell** gauges the mood

The only way out is up

Perhaps the after-glow of the summer holidays has left an unrealistic air of optimism in the boardrooms of Britain's manufacturing companies, but there is growing talk of sunnier times ahead.

Confidence that the darkest days of deep recession may almost be over no longer appears to revolve exclusively around the wishful thinking of politicians or the indestructible bravado of estate agents. Executives in most areas of business agree that the economic nadir has been reached – a view effectively confirmed by the conflicting economic signals now on offer.

On one hand, the Bank of England claims the recession is "bumping along the bottom" and that there is no clear evidence of any improvement. The Confederation of British Industry says that, while the worst may be over, any revival remains elusive and the pattern varies between regions.

But there is also evidence, patchy though increasingly apparent, that recovery has, in fact, started. The London stock market at least seems in little doubt that the only way out is up.

The dying days of August have, indeed, brought some comfort for Mr Norman Lamont, the chancellor, sticking to his forecast of recovery in the second half of a year which has only 18 weeks left to run.

Since the start of this month, figures suggesting total UK manufacturing output may show a modest recovery this year have been accompanied by news of a further, large fall in retail price inflation.

Lagging indicators such as unemployment remain gloomy and more redundancies are still in the pipeline. But cost pressures for many manufacturers have eased, not least when it comes to wages.

Now, the first flutterings of improved consumer confidence – which the government hopes will be at the cutting edge of this revival as of previous ones – have emerged in a small but unexpected rise in retail sales, although as an FT survey showed last week, the retailing sector remains almost unremittingly downbeat.

Even the sharp drop in car sales could be bottoming out. A rare, optimistic statement on the outlook for sales came last week from Mr Geoffrey Whalen, managing director of Peugeot UK, which has sold more vehicles this month than in August 1990. Mr Whalen, as vice-president of the Society of Motor Manufacturers, believes sales in August – traditionally their best month – are likely to finish 15 per cent down on the same month last year, a much better performance than forecast. New car sales in the first three weeks of August were only 12.8 per cent down on the same period a year ago.

Mr Martin Taylor, chief executive of Courtaulds Textiles, whose products line the shelves of shops around the country, says that although the benefits of any spending revival have yet to show through in trading performance, he is satisfied that an improvement is near: "The recovery will probably be modest but it should be better grounded that the growth which preceded the recession."

In the battered housing sector, another area of the economy where a return of consumer confidence is usually first detected, there are occasional, encouraging straws in the wind.

Marley, the construction materials and automotive components group, says it is "crawling out of recession" and expects a slowly improving backdrop for its activities – a view that is not universally shared in the building industry.

Mr Chris Beeham, Marley's finance director, says its building materials operations, after "plumbing the depths for two years", generated more profits in the second three-month period of 1991 than in any quarter over the previous year: "New housing is again becoming affordable for first-time buyers. Housing starts are picking up and we expect them to gather momentum. The improvement is modest and slow but at least it has arrived."

Further down the manufacturing chain from the consumer, some component suppliers to manufacturing industry are also encouraged: "It's pretty fragile but we are feeling more optimistic as the weeks go by," according to Mr Colin Hope, chairman of T&N, the automotive component and engineering material supplier.

Sir Christopher Hogg, chairman and chief executive of Courtaulds, supplier of chemicals and specialist industrial materials, believes the economy has already moved off the bottom: "Recovery is on the way for the last quarter of the year and into 1992, even if it is slow and halting."

At the heavy engineering end of industry, however, the economic light appears to be more faint. Lancer Boss, the Hertfordshire-based lift truck manufacturer does not expect orders to bottom out until December. Sir Neville Bowman-Shaw, Lancer's chairman, believes the company's market will not see significant growth until the middle of next year.

Mr Paul Horrell, finance director of Benjamin Priest, the Midlands engineering group, says his company remains at the bottom of the recessionary cycle, where it has been since the spring. A slight upturn in orders for some types of machinery gives rise to limited optimism, although demand for other products continues to decline.

This recession, it has long been suggested, has hit the south hardest, given its unexpectedly harsh impact on service industries.

In Scotland, many companies accept that, though they have not escaped entirely, they have fared better than in the early 1980s. Mr Ron Garrick, chief executive of Glasgow-based Weir Group, the engineering product and services business, says orders and profits have shown no sign of recession. Any end to the economic downturn will, consequently, be less marked.

But if this theory holds north of the border, West Midlands industry has again suffered painful contractions and few companies are yet prepared to suggest that the worst may be over.

Mr Tim Kelleher, chairman of Verson International, the Birmingham-based industrial machinery manufacturer, does not think any improvement is under way.

"The situation is far more grave than the last time. Companies are on the floor fighting for survival and, in the short term, things look as though they are likely to get worse. This economy does not need any more half-measures but a great big kick-start."

The "kick-start" Mr Kelleher refers to is a further, substantial cut in interest rates, the case for which is also made by Mr Edward Roberts, chairman of the West Midlands CBI.

Mr Roberts says that the deterioration in trading conditions has stopped but that few companies expect any improvement until next year. Small businesses, he says, are still in severe trouble and many could disappear, while investment levels continue to suffer from lack of confidence and cash.

Though some industrialists portray this recession as far more damaging than the last, Mr Roberts acknowledges that there has been a further opportunity to improve efficiency and competitiveness.

Within Heath Springs, the company of which he is chairman and chief executive, the use of existing capacity has improved sharply, and greater efficiency has led to work being won from competitors.

Mr Roberts says optimism among the region's businessmen about longer-term prospects is improving significantly. But to restore confidence in the immediate future, he wants government action now.

The shopping list includes a 1 per cent reduction in interest rates, a possible cut in employers' national insurance contributions and the provision of one-off investment allowances.

Mr Robin Biggam, chief executive of BICC, the cables and construction group which last week joined the long list of companies reporting much-reduced profits, also wants another interest rate cut.

"We need a signal from the government that will inject some badly needed confidence back into the economy. I believe a 1 per cent cut would do the trick and is now possible within the constraints of the exchange rate mechanism.

"We have reached the critical point where confidence can prove decisive. With it, the picture could now change significantly; without it, the UK risks being left very badly behind."

UK companies are turning to overseas markets to escape the effect of recession at home, writes **Charles Leadbeater**

The silver lining for British industry

On Mr Wolfgang Becker's office wall in Düsseldorf hangs a thread from the silver lining to the recession which has engulfed British industry in the last year.

It is a chart which shows car distributor Auto Becker's sales of Rover cars, rising from 300 this year to 500 a year in 1993. Five years ago Düsseldorf-based Auto Becker struggled to sell 50 British Leyland cars a year.

As Mr Becker, the company's chief salesman, puts it: "Five years ago if I had asked a salesman to concentrate on Rover cars he would have left the company."

Rover's exports to Germany rose by 63 per cent from 3,200 in the first six months of 1990 to 5,300 in the first half of this year. Its exports as a whole rose 33 per cent in the first six months of this year, helping it to maintain production at about 480,000 cars a year, despite the 24 per cent fall in UK car market so far this year.

All car manufacturers have been shifting production to exports to offset the effects of the UK recession. In the first half of this year 335,000 cars were exported, almost half UK production. This compares with exports in 1986 of 187,000.

The export record of the British-based car industry has taken on a political as well as a commercial significance. Mr Norman Lamont, the chancellor, has singled it out as evidence that British industry's international competitiveness was transformed in the past decade.

Exports are likely to see some companies through the recession and out into recovery. Many factories have been kept humming through the leanest times by export sales. It is widely hoped that export growth will help to fuel recovery as the US emerges from recession and world trade picks up.

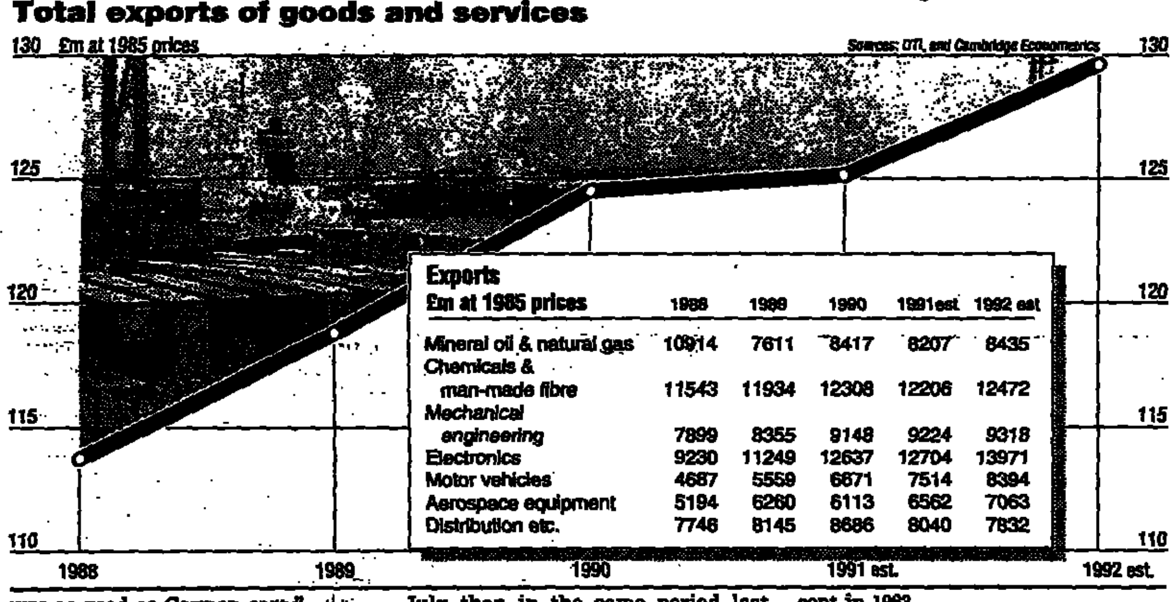
Exports are critical to companies such as Verson International, the Midlands based machinery maker which normally exports about 75 per cent of its output. In the past year it has pumped up exports to 90 per cent of sales. Mr Tim Kelleher, Verson's chairman says: "If we were dependent on the UK we would be out of business by now."

But how well founded is this confidence in British industry's revived ability to compete in international markets, and is the performance of the car makers representative of industry as a whole?

The improvement in the car industry is not a flash in the pan. Car exports started to expand significantly in 1987. As with other car companies the improvement at Rover was the product of a drawn out struggle to turn the business around.

Ten years ago British cars were legendary for their poor quality. Mr Becker says: "The Rover models launched in the past two years surprised everyone because their quality was as good as German cars."

Total exports of goods and services



Exports £m at 1985 prices	1988	1989	1990	1991est	1992 est
Mineral oil & natural gas	10914	7611	8417	8207	8435
Chemicals & man-made fibre	11543	11934	12308	12206	12472
Mechanical engineering	7899	8355	9148	9224	9318
Electronics	9230	11249	12637	12704	13971
Motor vehicles	4687	5559	6671	7514	8394
Aerospace equipment	5194	6260	6113	6562	7063
Distribution etc.	7746	8145	8686	8040	7832

Most importantly, Mr Becker says, Rover has invested in new models: "In the past we could only sell the small Mini and the luxury Range Rover, but there was a great hole in between. In the past few years that gap has been filled."

The Made in Britain mark was once

'Five years ago if I had asked a salesman to concentrate on Rover cars he would have left the company'

the kiss of death for a car on sale in Germany. Mr Becker says: "People want a wood finish and leather seats, British style. Rover should put a small Union Jack on the car, that would sell it more."

The car manufacturers have not been alone in expanding overseas sales. Overall manufacturing export volumes, excluding goods for which orders are erratic such as ships, North Sea installations and aircraft, were 3 per cent higher in the three months to July than in the same period last year, according to last week's trade statistics.

Within this there have been some dramatic gains. Exports of British-made television sets were worth £304m in the first half of the year, 29 per cent up on the same period last year. Clothing exports were up 13 per cent in the first five months of this year, after a 17.6 per cent rise last year.

Perhaps the most striking example of an industry shifting to export markets is chemicals. In June export volumes of inorganic chemicals were 73 per cent up on a year ago.

The export performance of manufacturing in this recession contrasts sharply with the recession of 1980-81, when a rise in oil exports offset a fall in manufacturing output. In the current recession the value of oil exports is falling while manufacturing is expanding sales overseas.

Export growth has not just been due to structural changes within industry. In sectors such as engineering there has also been a structural shift towards European markets which is likely to underpin exports. The EC accounts for 55 per cent of engineering exports, up from 38 per cent in 1983.

Mr Ian Thompson, chief economist at the Engineering Employers Federation, says: "We are now much more integrated with EC markets so 'exporting' there has become much more firmly established."

However rising export volumes should not be seen as unadulterated

Perhaps the most striking example of an industry shifting from domestic to export markets is chemicals

good news. Exports might keep factories working but they do not necessarily make finance directors happy.

British manufacturers have only been able to export more – in spite of UK costs rising faster than elsewhere in Europe and the initial shock of entry into the exchange rate mechanism – by accepting thin margins.

The average annual growth rate of British manufacturers' unit labour costs remains twice as high as those of the European competition. High UK wage inflation is one reason for the rapid rise in unit costs, the average domestic cost of producing a unit of output. The second is the fall in manufacturing productivity caused by the depth of the UK recession. With sterling fixed in the ERM, this loss of export competitiveness cannot be offset by a devaluation. Consequently, profits are being squeezed. The government's index of the relative profitability of export sales has fallen by 5 points in the past year to 96, its lowest level for seven years.

Were this to go on for long, exporting might fall out of fashion. But margins should begin to improve soon. The average level of pay settlements in Britain is now lower than in Germany, while the annual growth rate of average earnings in UK manufacturing is also falling. A combination of lower employment and rising output should also boost productivity over the coming months. As a result, the growth rate of UK unit labour costs should fall rapidly, restoring some of the lost competitiveness.

Not all industrial sectors and companies have been able to join the export drive. Those industries where competitiveness did not improve so markedly in the 1980s such as mechanical engineering have just been more exposed.

More fundamentally exports alone tell only part of the story of international competitiveness. Competition with imports in the domestic market also counts. Mr Thompson at the EEF says: "We are in trade balance with the EC in engineering only because the British recession has cut engineering imports by 15 per cent. As soon as growth starts again we will slip into a deficit, because the problem in this country is not our export performance, but our high propensity to import because the manufacturing base in this country is still too small."

Perhaps the best measure of British industry's international competitiveness is its share of world trade in goods made by the main manufacturing economies. After declining throughout the 1960s and 1970s that share stabilised at about 8 per cent throughout the 1980s.

But it did not grow. Indeed it was coming under increasing pressure in the second half of the 1980s as British manufacturing unit costs rose at 4 per cent a year over the past five years compared to 1.6 per cent in Germany and 1.2 per cent in France.

That puts British exporters' recent performance in a different light. The recession has only partly been an opportunity for them to flaunt their international competitiveness. Combined with ERM membership, the recession has been a blunt but powerful tool to prevent them throwing away the gains of the early 1980s by falling into self congratulation and complacency in the early 1990s.

Uncertain road to recovery

Paul Cheeseright reports on one Midlands company's experience

Instant relief from recession is out of the question for Glynwed International, the broad-based engineering group. Just as the recession crept up on the group, so it is likely to creep away. The first uncertain signs of recovery have appeared. So too have the first indications that this recession, like those of the 1970s and 1980s, will set off far-reaching changes in the shape of the group.

More than any other engineering group, Glynwed has been forced to respond to each downward shift of the British economic cycle. Likewise it will benefit from any upward movement. With two-thirds of its sales in the domestic market it is a natural barometer of the engineering sector.

The mercury in the glass started to fall in August 1988. It could be five years before it registers "fine and dry".

Three years ago, sales of home improvement products such as sinks and showers started to drop. A year later consumer durables and goods for the new housing market were caught in a downturn. Last year the market for engineering steels fell away. Then it was the turn of the construction industry, taking Glynwed pipes and fittings. Only sales of plastic products held up. By the first quarter of this year, recession gripped Glynwed. And this was reflected in the 1991 first-half figures with pre-tax profits down to a quarter of the 1990 level.

But the sector first into recession seems to be the first one out. Sales of home improvement products have increased in the last three months. "The difficulty is knowing whether we've gained market share or whether the market is picking up," said Mr Gareth Davies, Glynwed's chairman. Assuming there has been a pick-up, Mr Davies expects the products now at the bottom of the recessionary cycle – consumer durables, new housing products and engineering steels, in that order – to follow. Goods for the construction industry are different: recovery there could be five years away.

By the time this sequence has concluded, different parts of the Glynwed business could have been in recession for eight years. Creeping recession and creeping recovery create their own management problems. "When you have a widespread company, you can't give commands that you will all cut costs by 25 per cent," said Mr David Milne, the Glynwed finance director.

So coping with recession, trying to salvage the investment made during the 1980s, has been a matter of central control and local decision.

"Each unit has to allocate its resources so that it will get a 25 per cent cash return on assets," explained Mr Davies. How it is managing that allocation is reported, in detail, each month. Cash flow is king. Cash is monitored more closely than anything else. "We sit on it, we control it, we get daily reports. If something is going astray, you know immediately," said Mr Davies.

Month by month then, the Glynwed group management in Birmingham is obtaining the data which, starting from return on capital, expose the strengths and weaknesses of each of its companies. "All weakness is shown up in a recession," noted Mr Davies.

Analysis of the return on capital, together with an examination of the market position of each product and the operating prospects in every country where the group has an interest are now pointing to substantial changes in the 1990s. So far what has emerged is that the company should concentrate more on plastic products at the expense of metals and give a stronger emphasis to making goods for the infrastructure such as gas and water industries.

LETTERS

Bigger bureaucracies not needed to increase pollution monitoring

From Mr Michael Carney.

Sir, Why should an increasing need for inspection by the National Rivers Authority require increasing numbers of NRA staff ("Watchdog criticised", August 21)?

Regulatory bodies can, for example, employ consultants and thus avoid all the disadvantages of permanent establishments. Better still, they can use the organisations they are inspecting to monitor themselves. This could be done in accordance with strict requirements for collecting and analysing samples laid down by a regulatory body which would audit the self-monitoring process. The Drinking Water Inspectorate has demonstrated how this can be done.

Equating independent monitoring with permanently employed staff is a recipe both for inflated staff numbers and inadequate surveillance, because even increased numbers will never be enough. The Treasury will always argue down the need to fit the national budget.

Imagine the implications for the future if the EC were to monitor the implementation of its directives by insisting on the employment of armies of EC inspectors? Effective regulation and environmental improvement require self-monitoring, subject to audit, not the creation of bureaucracies.

Michael Carney,
secretary,
Water Services Association,
1 Queen Anne's Gate,
London SW1 9BT

More to it than just words

From Ms Lynda Longbottom.

Sir, Re your diary piece ("Brum, brum", August 15) about Birmingham's search for a slogan. Observer should know that there is more to it than putting words next to each other. That's what journalists do.

Lynda Longbottom,
director of public affairs,
Birmingham City Council,
Victoria Square,
Birmingham

Insular view should not be taken of the market for British R&D

From Mr Gerald Avison.

Sir, Della Bradshaw reports (Technology, August 22) the Science and Engineering Policy Studies Unit (Sepsu) conclusion that Britain's R&D efforts are being dangerously diverted to overseas companies. This, of course, is not new; we have heard it many times before. It is, however, a dangerously narrow perspective. To represent the UK as a closed market for R&D, where British companies co-operate to fend off the predatory Europeans, US and Far Eastern competition, is wrong. The market for innovation, and development-driven growth is international; distance and language are small barriers which can be overcome.

The 60 or so contract R&D organisations to which the report refers, and of which my company is one, are doing what the rest of British industry should do – treating the world as the market and tracking the opportunities to ground.

While I would like to see my company working more for UK companies (last year over 65 per cent of our business was outside the UK) I regard it as more important that we stay at the forefront of technological development and if this means selling our expertise to American, German or Japanese companies, so be it.

The root issue here is surely the use of development as a business weapon by British industry. One might, for example, ask what proportion of the development work done in the US or Germany or Japan is being exploited by British companies.

It is a regrettable fact that we are still an island race in many more ways than just our view of R&D. We have for the last two years been standing on the sidelines watching immense changes taking place in eastern Europe. We in Britain need to change our attitude to investment in R&D just as eastern Europe has accepted the need to change to a market economy.

Gerald Avison,
managing director,
The Technology Partnership,
Melbourn Science Park,
Cambridge Road,
Melbourn,
Hertfordshire

Problem of title

From R W Mellor.

Sir, The letter from Dr Evans (August 21) on the titles of an engineer neatly identifies a bigger problem. You credit him with neither of his professional qualifications, yet you credit him with his doctorate. Does the FT acknowledge professional qualifications only if the letters appear before a name or is it simply an example of confusion caused by too many designatory letters?

The need for unification and clear identity has never been greater.

R W Mellor,
secretary,
Institution of Mechanical Engineers,
1 Birdcage Walk, London SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

US aerospace industry is a big beneficiary of Airbus expansion

From Mr Michael Donne.

Sir, In defence of Airbus, and in response to Mr John McDonnell's article (Personal View, August 7) concerning alleged "unfair" competition in world airliner markets, the situation is more favourable to the US than might at first sight appear to be the case.

Of the several billion dollars already earned by Airbus Industrie from the delivery of over 7,000 Airbuses of various types, a substantial percentage has accrued directly to the US aerospace industry itself. This arises mainly from the provision of aero-engines by General Electric of the US and Pratt & Whitney (United Technologies), both directly for the Airbus A-300s and A-310s or through their participation in international consortia manufacturing engines for the Airbus A-320 (through CFM International, comprising General Electric of the US and Snecma of France, and International Aero Engines in which Pratt & Whitney has a 30 per cent stake).

In addition, the value of other US manufactured items, such as avionics equipment and other components, must be taken into account.

Moreover, with about 1,000 more Airbuses of all types on order but still to be delivered, the US aerospace industry is clearly set to benefit through the 1990s from Airbus Industrie's marketing efforts to date.

Beyond that, in its latest forecasts, Airbus Industrie predicts a total world market for some 11,500 new jet airliners of all types, worth $700bn (in 1990 values) over the next 20 years, to meet both air travel growth and the replacement of ageing fleets.

Whatever share of that vast market Airbus may win through its competitive flair, the US aerospace industry can expect much business from every Airbus sold.

Surely such facts should not be overlooked, however bitter the competitive battles for orders may be.

Michael Donne,
Tresco,
Blackheath,
Guildford, Surrey GU4 8QU

FINANCIAL TIMES
Tuesday August 27 1991

Community leaders meet today to discuss what steps to take against federal army

Fresh offensive launched in Croatia

By Laura Silber in Belgrade, **David Gardner** in Brussels, and **David Goodhart** in Bonn

YUGOSLAVIA'S federal army yesterday launched a fresh offensive in Croatia, as European Community leaders and the German government prepared to consider what steps to take in curbing the actions of the army and the Serbian republic.

Fierce battles continued in Slavonia, eastern Croatia, after Serbian insurgents and the federal army launched aerial and mortar attacks on the key towns of Vukovar, Vinkovci and Borovo in Slavonia.

Radio Vukovar appealed to the town's 25,000 people to take refuge in air raid shelters. The local hospital was evacuated as grenades showered the city on the banks of the Danube.

Croatian radio said several people had been killed, but this could not be confirmed after the town was sealed off and telephone lines cut.

Mr Milan Brezak, deputy interior minister of Croatia, said Croatian security forces would "fight back with all means".

He said 29 members of Croatia's security forces and 40 civilians had been killed since a ceasefire was ordered on August 7.

Fighting was also reported between Croat security forces and the Yugoslav army in Kijevo, a Croatian enclave in the mainly Serbian region of Krajina, in south-west Croatia, and in Sinj, 25 kilometres north-east of the Adriatic port city of Split.

EC negotiators, whose foreign ministers meet today to discuss the Soviet Union and Yugoslavia, say they are exasperated that attempts to deal even-handedly in the Yugoslav ethnic conflict are not deterring the Serb-dominated federal army from joining Serb militias in Croatia to carve out the Greater Serbia sought by Mr Slobodan Milosevic, the Serbian president.

Hostile fire: a Croatian soldier surrounded yesterday in Vukovar fires at federal forces

"There is widespread concern that this strategy of the *fait accompli* has to be stopped. The question is how to do that," Mr Karel Van Miert, EC commissioner, said yesterday.

EC fears that recognising Slovenia and Croatia would set off a chain reaction throughout central Europe and the Soviet Union have been partly superseded now that the Soviet Union appears to be breaking up anyway.

The Community's second concern – not to endorse statehood achieved by means other than negotiation – could also be met if recognition were to go ahead.

It could be presented as resisting Serbia's attempts to carve slices out of Croatia by military means.

Mr Hans-Dietrich Genscher, German foreign minister, warned at the weekend that Bonn would recognise the two secessionist republics unless Belgrade stopped its military advance and began negotiations.

Any recognition of Slovenia and Croatia, which declared their independence on June 25, would spell the end of the federation.

The army's offensive coincides with an ultimatum from Mr Franjo Tudjman, the president of Croatia, who threatened last week to declare all-out war if the Yugoslav army did not withdraw to barracks by August 31.

Baltic states join Nordic family

Robert Taylor finds the people of Riga looking west to Scandinavia

ENTHUSIASTIC Latvians were not alone on the streets of Riga this weekend in celebrating independence and commemorating the 52nd anniversary of the infamous Soviet-German pact that led to their annexation by the Soviet Union.

Alongside the flags of the three Baltic states and the red, white and blue of Russia, the flags of Sweden, Finland and Denmark flew in an impressive display of Nordic solidarity with the Baltic cause.

"The Baltic states are our brothers and sisters," said Mr Richard Baerug, a Norwegian who is opening an office of the Nordic Council – the umbrella body that covers all the Scandinavian countries – in Riga next week.

"We feel close to them", said one young Finn. "If we had not fought hard against the Soviets we would have suffered like they did."

The Scandinavian governments have taken the lead in extending diplomatic recognition the three Baltic states over the past two days.

Iceland set the pace at the weekend when it recognised the Baltics' independence, followed quickly by Norway and Denmark. Sweden will do the same today.

"The legal grounds for recognition are now clear," said Mr Sten Andersson, Sweden's foreign minister. "They have control over their own territories."

Even ultra-cautious Finland has come into line. Yesterday, the Finnish government's foreign affairs committee said it was "prepared to start negotiations about the establishment of diplomatic relations with the Baltic countries." Mr Esko Aho, the Finnish prime minister, pointed out that Finland's recognition of Baltic independence, granted in the 1920s, was still in force.

In taking their historic step, the Nordic governments are underlining their belief that Estonia, Latvia and Lithuania are an integral part of their region. Indeed, both Mr Arnold Ruutel, Estonia's president, and Mr Anatolij Gorbunov, the Latvian president, attended the spring session of the Nordic Council in Copenhagen despite protests from Moscow.

Mr Ulle Ellemann-Jensen, the Danish foreign minister and a firm, long-time champion of national self-determination for the Baltic states, said yesterday that his country would be the first to open embassies there.

Mr Otto Borch, the veteran Danish diplomat, yesterday flew to Latvia to become the first diplomatic representative to the Baltics since their annexation. Foreign ministry officials in Denmark said he was carrying not a Soviet but a Latvian visa – the first issued in 50 years.

Mr Ellemann-Jensen said he hoped the Baltic states would "become Nordic council members as soon as possible" and pointed out there was already co-operation with them on environmental issues, especially over joint projects to clean up the polluted Baltic sea.

Denmark has been particularly forthright in its backing for the Baltic states, with a highly active cultural office in Riga over the past nine months.

Many politicians inside the Baltic states welcome the positive attitude from their Nordic neighbours. Relations in the past have not always been easy.

Sweden recognised Stalin's annexation of the Baltics in 1941 and in 1944 forcibly repatriated Balts who fled to Sweden from the path of the Red army. But the Swedes have made amends for this over the past year. Latvia and Estonia have run information offices in Stockholm since the beginning of the year and cross-Baltic contacts at all levels have grown rapidly in recent months.

Some Latvian government officials say they would like to forge close ties with the Nordics because they do not want to see their small country become dependent on the goodwill of any large power in the region, such as Russia or, potentially, Germany.

But many in the Baltics also dream of turning their countries into social market economies like those in the Nordic region. A forthcoming economic survey of the Baltic region, prepared under the auspices of the Swedish ministry of foreign affairs, says: "There is a widespread desire to achieve a transformation in the Baltic states to a society and economy similar to that of the economies of Scandinavia; Finland and Sweden are seen as particular models."

Observer, Page 10
Editorial comment, Page 10
Other news, Pages 2 & 3

China faces US deadline on trade protection

By Nancy Dunne in Washington

THE US administration has given Beijing until September 30 to provide "binding commitments" leading to reduced protectionism in the Chinese market.

The deadline was set after Chinese negotiators failed in talks last week to satisfy US demands for improved access to the Chinese market.

President George Bush had promised a group of US senators that he would take strong action – which could involve an immediate formal investigation of China's trade policies – if the talks failed to produce "substantial progress". That pledge won him enough support to hold off a crusade in Congress to impose conditions on China's Most Favoured Nation (MFN) trading status.

The administration appears to be gambling that the deadline and Mr Bush's prestige in foreign policy matters will keep his supporters in line and prevent his having to use a veto.

The veto fight will probably come in September, although it can be delayed while Congress weighs the stand Mr Bush ultimately takes against Chinese protectionism.

A senior US trade official said China's delegation had come to Washington for last week's talks offering "vague generalities" and saying it had no mandate to go further.

The US is seeking specific measures from Beijing to increase market access in a trade regime which has grown increasingly hostile to imports. Washington wants lower tariffs, clearer trade rules, a reduction in licensing requirements and improvements in "discriminatory" standards and testing rules.

If China fails to meet the September 30 deadline, the US trade representative will initiate a Section 301 complaint. That would begin a year of investigation and consultation and would lay the legal groundwork for US sanctions against Chinese exports to the US.

Separately, the US has also begun a "special 301" action giving Beijing until November 26 to improve its protection of intellectual property rights. That deadline can be extended by three months, after which sanctions must be imposed if no agreement is reached.

Hungary to seek bids for toll road

By Andrew Taylor, Construction Correspondent, in London

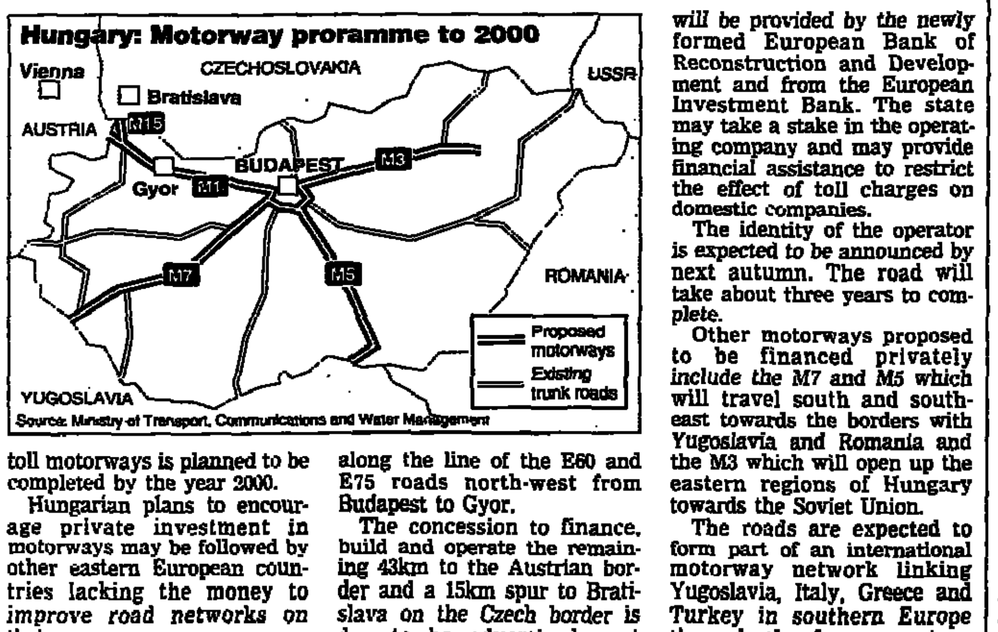
INTERNATIONAL companies will be invited next month by the Hungarian government to submit preliminary bids to build and operate the first privately-financed toll motorway in a former east bloc country.

The road, which will connect Budapest, the Hungarian capital, to the Austrian and Czechoslovak borders, is expected to cost Forints 11.8bn ($150m) to build – rising to more than $300m after allowing for interest charges and inflation.

Italstat, Italy and Europe's biggest toll road operator, and Transroute, which represents a number of French toll road companies which have been advising the Hungarian government, are expected to be among the bidders for the motorway concession likely to run for between 20 to 50 years.

Bechtel, the US engineering group, has also been advising the Hungarian Ministry of Transport Communication and Management on a Forint 120bn ($1.5bn) motorway expansion programme. More than 500km of mostly privately-financed toll motorways is planned to be completed by the year 2000.

Hungary: Motorway proramme to 2000



Source: Ministry of Transport, Communications and Water Management

Hungarian plans to encourage private investment in motorways may be followed by other eastern European countries lacking the money to improve road networks on their own.

The first Hungarian toll motorway will be the M1. This exists as a two-lane dual carriageway which runs for 106km along the line of the E60 and E75 roads north-west from Budapest to Gyor.

The concession to finance, build and operate the remaining 43km to the Austrian border and a 15km spur to Bratislava on the Czech border is due to be advertised next month in the official journal of the European Commission.

The Transport Ministry hopes that some of the finance will be provided by the newly formed European Bank of Reconstruction and Development and from the European Investment Bank. The state may take a stake in the operating company and may provide financial assistance to restrict the effect of toll charges on domestic companies.

The identity of the operator is expected to be announced by next autumn. The road will take about three years to complete.

Other motorways proposed to be financed privately include the M7 and M5 which will travel south and south-east towards the borders with Yugoslavia and Romania and the M3 which will open up the eastern regions of Hungary towards the Soviet Union.

The roads are expected to form part of an international motorway network linking Yugoslavia, Italy, Greece and Turkey in southern Europe through the former eastern bloc countries of Hungary, Romania, Bulgaria and Romania north to Poland and eastwards to the Soviet Union.

A lesson for fund managers

JOHN PLENDER

It is easy to forget that a mere decade or so ago portfolio investment overseas was still a politically controversial business. Today, when the average British pension fund has more than 20 per cent of its assets overseas against 6 per cent in 1980, no one lifts an eyebrow. Perhaps they should. For while the politics of overseas investment spark precious little party antagonism, the economics deserve a second glance. It is far from clear that UK fund managers are deriving much benefit from being the world's most internationally minded equity investors.

No doubt proponents of modern portfolio theory – which is actually so long in the tooth it deserves to be redubbed ancient portfolio theory – would be horrified at the baldness of this assertion. For them, the merit of diversification is axiomatic: if there is anything wrong with British institutional investors' performance it is more likely to stem from under-investment overseas than the other way round. Such folk usually formulate the argument by stating that foreign assets in a diversified portfolio increase the return for any given degree of risk.

Fund managers tend to put the case in a more pragmatic form. Their concern is with matching assets with liabilities and there are clearly plenty of assets outside the UK available to help them, including some in sectors such as semiconductors or minerals where the UK economy is deficient. Since the efficiency of international capital markets has been increasing in the technical sense that investment returns are tending, over time, to equalise, share prices already discount different economic growth rates and cycles. So nobody necessarily expects to extract higher returns by investing in higher-growth economies.

But indices are still imperfectly correlated between different markets. So it is possible to hedge against one of the more worrying risks that pension fund managers have to shoulder: the impact on domestic equities of a decline in the share of profits in gross national product relative to the wages on which pension obligations are based. To do this the fund has to take on an increased risk of another kind – adverse currency movements. Yet these can be hedged in the short term. Over time currencies are anyway supposed to obey the laws of purchasing power parities, which means that the fluctuations should even out in the end.

The trouble is that the practice delivers rather odd results. For a start, no sane fund manager could afford to rely on the purchasing power parity theory to look after currency risk. The D-Mark and yen have, in the past, shown a persistent trend towards structural appreciation, while sterling has shown an equal and opposite urge to move in the other direction. The trend is subject to interruptions and could anyway be terminated by structural changes in the underlying economies. Misalignments can persist over long periods. Few international fund managers accurately judged just how long the extraordinary levitation of the dollar would last in the first half of the 1980s.

Few international fund managers accurately judged just how long the levitation of the dollar would last in the 1980s.

As for investment performance measured in domestic currency terms, many among the handful of UK fund managers who bravely chose not to invest overseas in the 1980s claim to have done better than rivals who bought the arguments for diversification. If you look at the UK stock market's performance relative to the US in much of that period, the claim is not implausible.

The explanations for the better total returns earned by those fund managers in the UK are no doubt many and various. But one obvious broad economic explanation could be that Britain's profit share in GNP recovered substantially in the 1980s. In other words the lifting of exchange controls in 1979 encouraged fund managers to hedge against the risk of a declining profit share at precisely the moment when it was on the point of recovery.

They are now tempted to go on hedging, on the basis that the recovery in profit share was a one-off product of the Thatcher years. Yet Britain's profit share remains low by the standards of the rest of the developed world. There must be at least a chance it will recover further in the 1990s, with a beneficial impact on UK equities. Interestingly, fund managers whose portfolios have a heavy international weighting are inclined nowadays to articulate the case for diversification in terms of reduced risk rather than increased reward.

It remains open to question whether the risk could not be reduced at lower cost to the ultimate beneficiaries. For the evidence from the WM Company's performance measurement surveys suggests that in the 1980s UK fund managers significantly underperformed against the relevant stock market indices in overseas markets and that the shortfall was far greater than in the UK market. The shortfall is also too big to be explained by higher transaction costs overseas.

Equally striking is the way activity and turnover of British pension funds in overseas securities increased over the 1980s. That suggests that fund managers were chiefly preoccupied in their overseas investment strategies – if that is not too flattering a description – with short-term profit maximisation. It suggests too that they were not very good at it. Another conclusion must be that fund managers are victims of what economists politely call information and agency problems. They are being ripped off by intermediaries.

It is high time the trustees woke up and asked a few probing questions about turnover and activity. They might also consider encouraging the academics to spend less time on fancy portfolio models and more on seeking to establish how far the benefits of diversification are outweighed by information and agency disadvantages.

In the light of all this, what are we to make of the fashion among fund managers to encourage businessmen to leave decisions about international diversification to investors? Clearly both fund managers and businessmen can get it wrong overseas. But the businessmen, whose mistakes usually come from over-ambition and inexperience, do at least seem to move up a learning curve. Fund managers have yet to demonstrate that they can do the same.

WORLDWIDE WEATHER

Today: Many inland areas of southern and central England will start rather misty with fog patches. Most of these will disappear soon after dawn and all England and Wales will be dry and sunny. Border counties of Scotland will be cloudier with outbreaks of light rain. It will become drier and warmer in the afternoon.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Bordeaux	S	35	95	Dallas †	S	21	70	Innsbruck	F	24	75
Algiers	F	35	95	Boulogne	S	24	75	Dublin	C	21	70	Inverness	F	20	68
Amsterdam	C	19	66	Bristol	F	23	73	Dubrovnik	S	28	82	Isle of Man	C	19	66
Athens	S	30	86	Brussels	S	23	73	Edinburgh	F	20	68	Istanbul	F	27	81
Bahrain	-	-	-	Buenos Aires	-	-	-	Faro	S	25	77	Jersey	S	23	73
Barcelona	S	27	81	Budapest	F	25	77	Florence	S	32	90	Johannesburg	-	-	-
Belfast	C	19	66	Cairo	-	-	-	Frankfurt	S	24	75	Las Palmas	F	27	81
Belgrade	F	23	73	Cape Town	-	-	-	Geneva	S	27	81	Leeds	C	21	70
Berlin	F	19	66	Cardiff	S	23	73	Gibraltar	S	30	86	Lisbon	F	23	73
Biarritz	S	34	93	Chicago †	S	19	66	Glasgow	C	17	63	Locarno	F	29	84
Birmingham	S	23	73	Cologne	S	24	75	Guernsey	S	21	70	London	F	23	73
Blackpool	C	18	64	Copenhagen	F	18	64	Helsinki	S	22	72	Los Angeles †	C	19	66
Bombay	-	-	-	Corfu	S	29	84	Hong Kong	-	-	-	Luxembourg	S	24	75

		°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	26	79	Nairobi	F	23	73	Prague	F	18	64	Tangier	F	27	81
Madrid	S	32	90	Naples	S	29	84	Reykjavik	R	9	48	Tel Aviv	C	30	86
Majorca	S	31	88	Nassau	-	-	-	Rhodes	S	27	81	Tenerife	S	25	77
Malaga	S	27	81	Newcastle	F	21	70	Rio d'Janeiro	-	-	-	Tokyo	S	31	88
Malta	S	31	88	New Delhi	R	24	75	Rome	S	29	84	Toronto †	S	20	68
Manchester	C	18	64	New York †	C	19	66	Salzburg	S	24	75	Tunis	S	35	95
Melbourne	-	-	-	Nice	S	28	82	S'Francisco †	C	15	59	Valencia	S	30	86
Mexico City	-	-	-	Nicosia	S	30	86	Santiago	-	-	-	Venice	S	28	82
Miami †	S	28	82	Oporto	R	23	73	Seoul	S	30	86	Vienna	S	23	73
Milan	S	29	84	Oslo	S	20	68	Singapore	T	31	88	Warsaw	C	16	61
Montreal †	C	20	68	Paris	S	26	79	Stockholm	F	19	66	Washington †	S	21	70
Moscow	C	16	61	Peking	S	29	84	Strasbourg	S	26	79	Wellington	F	0	16
Munich	S	24	75	Perth	F	16	61	Sydney	S	17	63	Zurich	S	24	75

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 27 1991

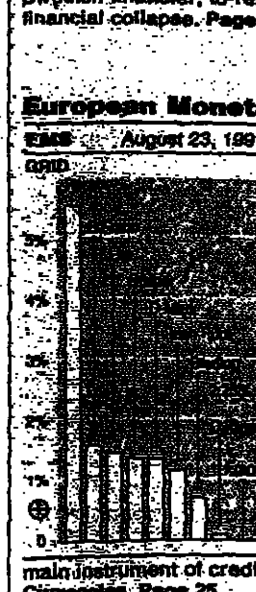
INSIDE

Nordbanken takes control of Nobel

Nordbanken, the state-controlled Swedish bank, yesterday took control of Nobel Industries, the chemicals and defence concern, and other holdings owned by Mr Erik Penser, the Swedish financier, to rescue the group from financial collapse. Page 15

European Monetary System

EMS August 23, 1991



After a hectic week, currencies finished little changed in the exchange rate mechanism. Initially the Soviet coup boosted sterling and depressed the D-Mark, but its collapse returned the pound to its previous position and left the D-Mark only slightly lower on the week. The Spanish peseta remained firm at the top of the grid, despite a cut in the Bank of Spain's money market intervention rate, the main instrument of credit policy, on Friday. Currencies, Page 25

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BASF	242.5	+	3.1
Bayer	277.7	+	2.1
Hoechst	246.4	+	5.1
Schlumberger	122.5	+	2
Viag	398.5	+	3.5
Falls			
Porsche	755	–	10

NEW YORK ($)

Rises			
A & P	39½	+	3¼
IBM	95⅛	+	¼
Owens-Corning	34½	+	1
Salomon Bros	25⅝	+	1⅞
Toys R Us	34⅛	+	1⅛
Falls			
Triton	44⅝	–	2½

PARIS (FFr)

Rises			
Ciments Franc	317	+	11.9
Eurotunnel	48.8	+	1.2
Gen Des Eaux	2487	+	66
Michelin	117.5	+	1.1
Peugeot	633	+	9
Saint-Gobain	469.9	+	3.7

TOKYO (Yen)

Rises			
Daiwa Const	1170	+	70
Falls			
Daito Wool	686	–	74
Minolta Cam	522	–	46
Mitsumura Pr	1100	–	100
Showa Mfg	485	–	45
Suzuki Motor	591	–	54

New York prices as at 12.30.

Lloyd's set for row over pay levels

By Andrew Bolger in London

LLOYD'S, the London insurance market, will be the scene of further controversy this week with the first publication of top underwriters' salaries, a move designed to make the market more open.

More than 150 underwriters earned salaries in excess of £100,000 ($167,000) in 1988, the last period for which official figures were available, according to Chatset, the Lloyd's analysis group.

Although many insurance syndicates were profitable that year, the overall market lost £510m, as a result of the Piper Alpha disaster and asbestos claims from the US.

The best-paid underwriter, Mr Alec Sharp, earned a salary of £491,000 from syndicate 839, which made a profit of £9m in 1988.

Mr Terence Green received a salary of £353,000 for underwriting syndicate 321, which Chatset said made a loss of £2.8m in 1988.

Names, the wealthy individuals whose capital backs underwriting on the insurance market, are likely to be most infuriated by the high levels of salaries paid by syndicates which have subsequently plunged into deep losses.

Mr Derek Walker earned £300,000 for underwriting syndicate 290, which made profits of just over £10m. However, that syndicate, managed by Gooda Walker, now faces an uncertain future after having made cash calls to members of £53.5m in 1989 and £22.8m in 1990. It is currently the subject of an independent review by Lloyd's.

The decision to publish the salaries was taken in July by Mr David Coleridge, the new chairman of Lloyd's. The figures do not include underwriters' share of fees and commission that they earn from their share in the agencies which oversee the syndicates.

The figures come at a crucial time as Names have until Saturday to state whether or not they want to leave the market, in which many have suffered heavy losses, or to continue in 1992.

Latest market estimates suggest that between 3,000 and 5,000 could resign by this month, and hundreds more could subsequently fail a solvency test. The number of Names peaked at more than 32,000 in 1988 and currently stands at just over 26,000.

The number of syndicates is also expected to fall from this year's level of 354 to about 250, as loss-makers close or are forced to merge. The capital base of the market is expected to contract from its present £11.4bn to between £9bn-£10bn.

Nikki Tait looks at options for the enormously-profitable Philip Morris

Rich and hungry for growth

Next week, over the long Labor Day weekend, Michael Miles will walk into the top job at Philip Morris, the US tobacco and food group whose brands range from Marlboro cigarettes to Dairylea cheese.

Mr Hamish Maxwell, who has chaired the world's largest producer of consumer packaged goods for the past seven years, is retiring at the age of 65.

Mr Miles, in his early fifties, was named as heir apparent last March.

But the new non-smoking chairman – who joined Philip Morris three years ago when it took over the Kraft food group, where he was chief executive – will also walk into a wave of rumour and counter-rumour on Wall Street.

Yet again, this centres on Philip Morris's acquisition intentions.

Last week, for example, shares in Heinz, the Pittsburg-based food manufacturer, spurted upwards on speculation that a bidder was waiting to pounce.

Philip Morris' name was the first to be mentioned. Conjecture has not been confined to the US: similar flurries have run round the UK food manufacturing sector all summer.

Philip Morris itself put down the shutters a long time ago, steadfastly declining to comment on takeover gossip.

Mr Miles, moreover, is currently shunning interviews.

In sharp contrast with his willingness to meet the press when his appointment to succeed Mr Maxwell was announced, his office now pleads pressure of work.

But such silence does nothing to halt the rumour-mill – a reaction which is fairly understandable, given the dynamics and stated policy goals of the group.

For a start, there is Philip Morris's capacity for throwing off large amounts of surplus cash.

The US tobacco market may be in slow, inexorable decline, but it is still enormously profitable.

Analysts are virtually unanimous in predicting that the company will generate excess cash flow of around $18bn-$20bn between 1991 and 1995.

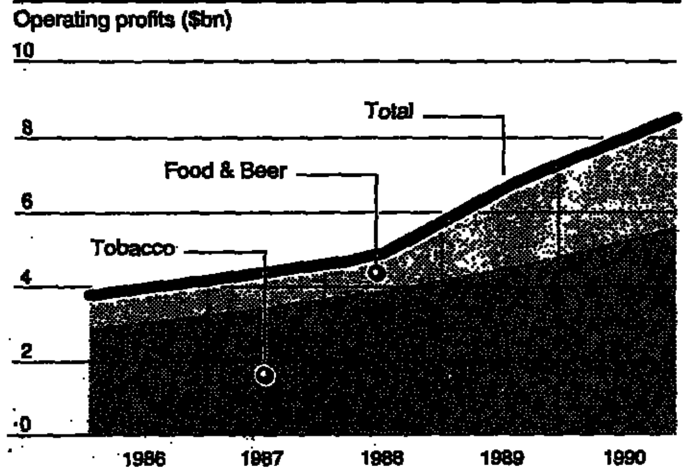
Although a share buy-back programme has been reinstated and capital expenditures are reckoned to total a not-insignificant $9bn in the 1991-1995 period, the US group still has chunky sums to deploy.

The sheer profitability of Philip Morris also means that debt resulting from earlier acquisitions is being paid down rapidly. The debt-to-equity ratio stood at 1.72:1 at end-December 1989; fell to 1.57 a year later; and by the end of June this year, had reached 1.29. The ratio was a little over 1:1 at end-1987, the year before Philip Morris launched its $13bn bid for Kraft. Moreover, analysts have no doubt that the group is still intent on building a strong "second leg" to the business, which will help offset tobacco's dominance and leave the group less exposed to a long-term decline in this industry's fortunes.

Michael Miles: will walk into a wave of rumour

Philip Morris

Operating profits ($bn)



Mr Maxwell began the move into "food" in the mid-1980s, but one problem is that the sheer profitability of the tobacco side means this business tends to reassert itself. The operating margin on the domestic tobacco operations, for example, was around 40 per cent last year.

That trend has been given further impetus recently by the fact that, while unit volumes in the US market are declining overall at around 2.5 per cent a year, the industry has been pushing through domestic price increases well in excess of inflation.

International operations have also fared well.

In Philip Morris's case, analysts reckon that annual international volume growth is running at around 20 per cent, and one pundit suggests that overall profits on this front could increase by 25-30 per cent in 1991, and beyond.

In short, the food side has to run to keep up.

Nevertheless, while every analyst on Wall Street probably agrees that the mixture of surplus cash and future ambitions implies more shopping in the future, there is a good deal of scepticism about some of the potential target names which are being picked out of the hat.

As Mr Marc Cohen, analyst at Sanford Bernstein, puts it: "We expect Philip Morris to be making more acquisitions, but the scope and geographical spread is very fluid. What I've found is that reports of imminent moves are not very well thought out".

The Heinz rumour, in particular, has some analysts badly riled.

The point is made that such a deal would probably be highly dilutive for earnings; that Heinz takes in sizeable interests in petfoods and tuna fish, which would not be the most appealing of areas for Philip Morris; and that the Pittsburgh-based company's overseas exposure is heavily weighted towards the UK, and in fairly slow-growing segments like soup and beans.

Heinz, whose common stock alone is worth more than $11bn has denied any talks.

Instead, there is now a sizeable school of thought which believes that Philip Morris is far more likely to repeat a Jacobs-Suchard style deal.

The Swiss coffee and confectionary company was taken over by the US group in mid-1990 for $3.8bn.

Although the purchase was a chunky sum by anyone's reckoning, it pales besides the earlier Kraft deal, and – allowing for inflation – the General Foods purchase, which cost $5.8bn in 1985.

"Philip Morris will be making acquisitions – that's a given fact," comments Mr Roy Burry at Kidder Peabody, for example.

"But they'll be medium-sized, around $4bn to $5bn, and probably in Europe or the Pacific Rim." Rumoured companies like Quaker Oats, Borden or, indeed, Heinz, he suggests, are just "too big – a stretch right now".

As for Mr Miles himself, even in more forthcoming times he was careful to leave all Philip Morris's options open.

Growth, he said when his appointment was announced, would continue "internally or externally", adding only that he would "like the opportunity to be opportunistic".

Banamex sale raises $3.2bn

By Damian Fraser

THE MEXICAN government has sold 70.7 per cent of the equity in Banco Nacional de Mexico (Banamex), the country's biggest bank for $3.2bn.

A group of 800 investors headed by Mr Roberto Hernandez and Mr Alfredo Harp Helu who are also senior executives of Accival, the stock broking and fund management firm, have acquired 50.7 per cent of the bank for $2.3bn.

This the seventh of 18 banks which the Government is selling. The sale is part of the final stages of the government's privatisation programme and is the second biggest sale after Telmex, the telephone monopoly.

The sale was through an auction. A group consisting of 47 of the country's wealthiest families, headed by Mr Carlos Gomez y Gomez, placed the only rival bid of $2.1bn.

The remaining 20 per cent will be offered to the regional board members of Banamex at the aution price. Mr Hernandez has agreed to buy the shares not purchased by the board members within 28 days.

The remaining 29.3 per cent of Banamex has been in private hands since 1987 and more than half of these shares are already controlled by Mr Hernandez and his investors. Mr Hernandez and his investor group will thus own, along with the regional board members, roughly 90 per cent of Banamex.

Mr Hernandez plans to establish a new holding company, comprising Banmaex and Accival. Combined, it will play a dominant role in the Mexican financial sector.

The bank has assets of 79bn pesos ($25.9bn), and last year returned a profit of 1bn pesos. Accival is Mexico's most successful brokerage over the past decade, and has a market capitalization of about $300m.

Neverthless, Mr Justin Manson, of CS First Boston, the principal foreign advisers to the Mexican government on the bank privatisations, describes the synergies between Banamex and Acival as "insignificant" – mainly, he says, because Banamex does almost everything Acival does, and is over ten times larger.

Mr Hernandez said the group plans to make an international offering for 19 per cent of the new group in the near future.

By mid next year the Mexican government hopes to have sold all 18 formerly state-owned banks. If all banks fetch over 2.5 times book value, the privatisations could raise $10bn.

Economic Notebook

Mr Lamont set to kill off the recession

MR NORMAN LAMONT, the UK chancellor of the exchequer, reports back to work this week from his holidays with two dates ringed in his diary.

The first is October 10, when he is to give a rousing speech to the Conservative party conference to the effect that the economy is emerging from recession and is set for a sustained upturn next year – which is when the election looks likely.

The other date is November 19, when the government's Central Statistical Office is to provide preliminary estimates of the UK's total output in the third quarter of 1991.

There is a good chance that the data will show a slight upturn between the second and third three-monthly periods – because Britain's oil production looks like rising significantly between May and September due to an end to North Sea maintenance work. Since this would bring to an end the sequence of four consecutive quarters of falling output, the recession would then be technically at an end – as the world would promptly be informed on the TV news later that day.

If Mr Lamont had it in his power, he would undoubtedly swap around the two dates, to offer the possibility of a further discussion of this extremely good piece of news, when he addresses the Tory conference.

But the CSO has enough trouble providing timely information about even a relatively small part of the economy such as retailing (of which more later in this column). It is extremely unlikely to come up with data about third-quarter output 10 days after the quarter-end just to fit in with Mr Lamont's political timetable.

The economic indicators of the past few weeks point to a slowing in the rate of economic decline, and a gradual upturn around the end of the year. The chancellor will scrutinise this week's report on the UK economy by the Organisation for Economic Co-operation and Development for evidence pointing in this direction. But he will need more than this to convince the country at large that something tangibly positive is taking place in the economy as a whole.

He may not have been too pleased when the Bank of England, in its recent quarterly bulletin, rebutted the Treasury line that the economy looked set for an upturn, and instead offered the sober and entirely sensible assessment that "there is no clear evidence of an end to the recession".

Mr Lamont may have been still less enamoured by the Bank's sharply-stated (but little-noticed) warning in the bulletin that for European countries generally "a reduction in inflation which was achieved at the expense of higher unemployment might prove politically or financially unacceptable". Though set in the context of a discussion on European economic union, the sentence applies directly to the management of the UK economy over the past year; and given that Britain's rising jobles total (which may reach 3m next year) is such a politically explosive issue Mr Lamont may well have felt the phraseology to be unhelpful, in spite of the admirably concise way in which it sets out obvious truths.

In terms of Mr Lamont's possible policy actions over the next few months, however, the thinking of Bank officials appears to be in line with what can be assumed to be in the chancellor's mind. The Bank appears to be expecting the Treasury to want to engineer a further ½-percentage cut in UK interest rates, to 10½ per cent, to provide a fillip to the Tory conference. That would undoubtedly help Mr Lamont's popularity; but he still needs something else. Perhaps he could study the advice from Mr Dieter Wermuth, a leading German economist, who believes the Conservative government should offer a more "Churchillian" approach on the economy. "The Conservatives should tell the UK people that the economy will take some time to come round; there will be blood, sweat and tears ahead, but Britain has the chance finally to get on top of inflation, after which things could be better," says Mr Wermuth, general manager at the Frankfurt office of Manufacturers Hanover, the US bank. Mr Wermuth probably has a good point. If Mr Lamont is spotted over the next few weeks looking up Second World War speeches, it will be proof that he is taking the advice on board.

* * *

IF the CSO did not exist, it would have to be invented. Apart from the job it does for the UK government in providing (often hard-to-interpret) data on economic activity, its press releases act as a smorgasbord of information for investors in the City, enabling them to discover how close to the mark have been their own guesses about financial trends.

Right now, the CSO's work is being scrutinised in more than usual detail, due to the interest in discovering when the much expected economic upturn is likely to take place, and how strong this will be. Also, the government is in the final stages of selecting a new CSO director, to replace Sir Jack Hibbert, who is retiring next year. Ministers want a new broom in at the top of the 1,000-strong organisation, who will be energetic enough to convert it into an "executive agency" instead of its present role as an ordinary, boring old civil-service department. Under the government's plans, the CSO will take on agency status about the time the new man or woman arrives, at which point it will be encouraged to earn more cash through working with industry, and brush up on some of its statistical and presentational techniques.

The Labour Party (and some statisticians) have become unnecessarily concerned about ministers' keenness to consider someone for the top job who is not a statistical expert. Just because all the previous CSO heads have had professional qualifications in their ability to massage numbers does not mean this state of affairs should continue into perpetuity. Labour's comments that (should it come to power) it might sack the new CSO head if this person is not a statistician smacks of a "jobs for the boys" policy over civil-service appointments.

It is good news that, in some areas of statistics, competition is appearing for the CSO in the form of other organisations willing to organise professionally-conducted surveys of the UK economy. Plans by the Retail Consortium to run its own weekly analysis of sales trends in shops and stores, to counterbalance the CSO's monthly survey, may provide more detail about general financial trends, and could even lead the CSO to sharpen up its own work in collecting retailing data. One obvious question is why the CSO takes six weeks to provide even a modest sectoral breakdown of retail sales patterns for each month of the year. It should try to do better.

Peter Marsh

Takeover Panel to police UK cold calling

By Robert Peston in London

THE TAKEOVER Panel, regulator of mergers and acquisitions in the UK, will this week acquire powers to police cold calling of private investors by bidders.

The takeover code is being amended so bidders will need the permission of the panel before making a cold call.

The panel will force the bidder to make clear to the private investor the consequences of giving an irrevocable acceptance to a takeover bid. The bidder will have to inform the investor that if an irrevocable acceptance is given, the investor may not be able to benefit from a better offer, if a rival bidder makes one.

The panel has to introduce the new rule to coincide with the implementation on September 1 of a new common code on cold calling in all investment business, which has been drawn up by the Securities and Investments Board, the City's top investment regulator.

The precise form of the panel's new rule was being finalised at the weekend.

The unsettled question was whether bidders, through their merchant bank advisers, should be forced to ask the panel for permission before making any cold calls or only calls to private investors.

The rule will be designed to protect private investors rather than professional managers.

There can be problems deciding whether an investment trustee is a private investor or a professional under the terms of the Financial Services Act. Some trustees are highly trained City professionals, but others, such as country solicitors, are no more sophisticated than most private investors.

Speculation mounts over a Ladbroke rights

By Jane Fuller

SPECULATION intensified over the weekend that Ladbroke, the leisure group, would launch a rights issue alongside the announcement of its interim results on Thursday.

UBS Phillips and Drew published a note on Friday saying that "with the interest cover down to an estimated two times, an early rights issue cannot be ruled out". It added, however, that an issue could be well received.

The share price eased off 3p to 270p on Thursday and Friday, against the market trend, as talk of an issue was rekindled ahead of results that may fall below a forecast range of £90m to £100m pre-tax. The Gulf war hit its hotel business and bad weather curtailed the racing programme and with it betting income.

Rights issue rumours have been in the market for some time. Four weeks ago, for instance, the appointment of Smith New Court as new joint broker sparked a similar round of talk.

The immediate effect of a cash call would be to reduce the group's net debt, which stood at £1.5bn in December giving gearing of 58 per cent. The net assets side of the equation was helped by £830.5m of intangibles, including the Hilton International hotels and Vernons pools brand names. Without them, gearing would be nearer 70 per cent.

Tapping the market would also make up for the delay in selling off some hotels and in selling stakes in ones that it has redeveloped, including the Langham Hilton in central London. Early last summer, Ladbroke's described how it could raise £500m via such disposals, but the hotel/property markets have so far undermined this plan.

If a rights issue were to raise a similar amount, it could be used to continue the overseas expansion of the Hilton International chain as well as strengthening the balance sheet.

The issue is not regarded as a necessity. Ladbroke has already taken action to cut its cash requirements by at least halving capital spending from last year's £460m.

The group last had a rights issue in September 1987 to help finance the £645m purchase of the Hilton International chain, but the October crash meant the bulk of the £254m call was left with the underwriters.

Market and investors hope pressure on Ashcroft is starting to pay off

By Bernard Simon in Toronto

A COMPANY'S share price doesn't often bounce up on word that it is suspending its dividend.

But the investment community yesterday applauded ADT's announcement of a halt in dividends as a hopeful sign that Mr Michael Ashcroft may at last be starting to respond to concerns about the financial condition and accounting practices of the car auction and security group he heads.

Despite also announcing a 42 per cent cut in first-half pre-tax profits and limits on capital spending, ADT's share price jumped by $1 to $9.25 in early trading in New York.

Even ADT's largest shareholder, the Canadian waste management group Laidlaw, was quietly expressing satisfaction yesterday that the pressure which it has exerted on Mr Ashcroft in recent months is starting to pay off.

Four Laidlaw-appointed directors attended their first ADT board meeting last Friday. "It was a good meeting," says Mr Peter Widdrington, Laidlaw's non-executive chairman. In a gesture to its largest shareholders, Mr Ashcroft is understood to have suggested that the meeting take place at the Montreal head office of Canadian Pacific, Laidlaw's controlling shareholder.

Mr Ashcroft's lengthy statement yesterday contained two particular items which both Laidlaw and outside investors are hoping mark the start of a new era at ADT.

The first is the announcement of a $500m debt-reduction plan to help fund the repayment of sizeable amounts of debt and the possible redemption of convertible preferred shares in 1994 and 1995.

Besides the suspension in dividends, ADT singled out the possible disposal of non-core investments, such as its interests in Christies, the auctioneers, the LEP freight forwarding group, and maintenance services company Nu-Swift.

As one New York analyst put it, "they're taking away the dividend, but at least they're using the money for something positive." ADT's long and short-term debt stood at $1bn on June 30.

Second, ADT has made a change to its accounting policies which recognises its potential liability on the redemption of its preference shares. In line with new guidelines set by the UK Accounting Standards Board, the company has appropriated $160.5m to cover the maximum liability which it may incur when the shares are redeemed in 1994.

There are also signs however, that some things may not have changed. The company is charging the preference-share liability to retained earnings rather than current income, as has recently become widespread practice.

Mr Hammond says that change was made according to advice from the London office of ADT's auditors. It reflects a difference between convertible bonds, which are a pure debt instrument where interest payments go through the earnings statement, and preference shares, on which dividends are taken as an appropriation of profit below the line.

Laidlaw is furious about a $11.6m special charge to cover ADT's costs of defending the lawsuit which the Canadian company brought against Mr Ashcroft and other senior ADT executives earlier this year.

ADT's deputy chairman, Mr David Hammond, explained that the amount was required to hire a first-class legal team, but that is unlikely to satisfy Laidlaw. Indeed, if there is one element in ADT which continues to rile the Canadians, it is Mr Ashcroft's dominant role and his apparent identification of his own interests with those of the company as a whole.

Whether the changes which emerged yesterday are the result of Laidlaw's pressure or a change of heart on the part of Mr Ashcroft depends on whom one talks to. Mr Hammond said yesterday that the new financial strategy "was presented to the board by management and approved unanimously. It's clear evidence of our intention to concentrate on our two core businesses." He adds that no issue of disagreement remains with Laidlaw.

Executives at the Canadian company claim, however, that the changes would have been unlikely without their prodding. Laidlaw contends that a stronger balance sheet, a withdrawal from businesses unconnected with car auctions and security, and a more open approach to the investment community are precisely what it has been trying to achieve at ADT since last April.

Big investors are hopeful that the statement made by Michael Ashcroft (above) may mark the start of new era at ADT

Robert Denham is chief legal officer at Salomon

By Martin Dickson in New York

SALOMON, the Wall Street securities house rocked by a bond trading scandal, has appointed a new chief legal officer, Mr Robert Denham, to take the place of Mr Donald Feuerstein, who last Friday became the fourth senior Salomon official to resign over the affair.

Mr Denham, aged 45, is a long-time associate of Mr Warren Buffett, who has taken over as interim chairman of Salomon as it tries to ride out the legal storm resulting from its admission of illegal bidding in US Treasury bond auctions.

Mr Feuerstein, whose responsibilities included overseeing the firm's compliance with correct securities trading practices, was asked to resign by Mr Buffett. This followed the resignation earlier this month of Mr John Gutfreund, chairman of Salomon, Mr Tom Strauss, the president, and Mr John Meriwether, the vice chairman.

Mr Denham will have a crucial role to play in charting a strategy for Salomon through the many legal suits which now threaten it. A partner in the Los Angeles law firm of Munger Tolles & Olson, he has known Mr Buffett for 17 years and is an adviser to Berkshire Hathaway, the investment firm Mr Buffett heads. Mr Buffett said Mr Denham was his "first and only" choice for the Salomon job.

Moving into a credible position to chase other violators

James Buxton on Rodime's change from a manufacturer to an intellectual property company

Many people will be surprised to learn that the first 3.5 inch hard disk drive, now standard equipment on most personal computers, was produced by a British company. Cynics may be less surprised to hear that the company last week put its manufacturing operations into receivership.

The company, Rodime, was one of the white hopes of British technology in the 1980s. Founded in 1980 at Glenrothes, Fife, by Scottish and American engineers who spun out of Burroughs, the US computer maker which later became Unisys. It was once a darling of the US over-the-counter market. It spread to the US and then to the Far East.

Yet it has not made an annual profit since 1985, nor ever paid a dividend. Last week its shares were suspended on the London stock exchange at 4p – its ADRs were delisted by Nasdaq in early July. Rodime called in receivers at its manufacturing plant in Singapore and at its facility in Glenrothes, and sought protection under Chapter 11 of the US bankruptcy laws for its US operation, based at Boca Raton, Florida.

In what Mr Peter Bailey, president and chief executive, calls "an orderly build-down," Rodime intends to reduce itself to an intellectual property company, licensing its technology and continuing to pursue claims for breach of patent against about 30 disk drive makers worldwide. One close follower of the company says, with only some exaggeration: "Rodime has effectively licensed the 3.5 inch disk drive industry and until recently it wasn't being paid for it."

Ever since Rodime moved into loss its story has been one of successive false dawns. But there was some reason for hope in the spring of 1989 when new management came in from the US disk drive industry and a large scale financial rescue brought in $27m of fresh cash. Debt was rescheduled and overdraft converted into soft loans.

3i, the venture capital group, became the biggest shareholder with 25 per cent of the equity, and Bank of Scotland ended up with 18 per cent. At the end of last September the bank's lending to Rodime was $39m.

Under Mr Bailey, Rodime introduced a new product range, concentrating on high capacity disk drives of 100MB up to 540MB of storage capacity. It also rationalised its sprawling production operation, spread over three continents for a company whose turnover was only around $100m. Singapore eventually became the only production unit, with Glenrothes reduced to a design and repair facility (though also corporate headquarters), and Boca Raton concentrating on design and marketing. Peripheral operations were sold off.

Disk drive manufacturing is an extraordinarily ruthless business where technology advances at breathtaking speed and where, in the words of Mr Bob Katzive of the California research organisation Disk/Trend, "to fail to get your product onto the market in a few months is a cardinal sin."

Despite some promising orders and continued reorganisation, Rodime's management failed over the last two years to achieve profitable manufacturing. Increasingly its quarterly reports detail its struggle to ramp up production of disk drives with still higher capacity and yet thinner profile, against severe difficulties in obtaining components and perpetually stretched financial facilities because of high gearing.

Then, during the past few months, it was hit by the slowdown in desktop computer sales in the US and the sluggish market in Europe, because of recession and consolidation among the independent distributors that represent the primary sales channel for PCs in the US. Six of the top PC distributors have merged into three companies over the past few months, consolidating their stocks and cutting back on new orders.

The disk drive industry itself is in the midst of a product transition from 3.5 inch drives to new smaller drives (2.5 inch and 1 inch). Sales of 3.5 inch drives have slowed, leading to price cutting and lower profits. Prices have halved over the past 12 months and several leading manufacturers, including Seagate Technology, Conner Peripherals and Maxtor, have all recently announced layoffs.

Lately Rodime, whose losses deepened in the first six months of the year ending September 1991 to $12.6m (£7.6m) on sales of $37m ($46m), indicated that it was abandoning the struggle to be an independent producer and sought a manufacturing joint venture with a Taiwanese company.

But the talks broke down on the question of finance and that plus the exhaustion of Rodime's working capital, precipitated last week's events.

In 1988 the US Patent Office shocked companies in the disk drive industry by upholding and reissuing Rodime's patents for crucial aspects of the 3.5 inch disk drive.

From then on Rodime stepped up efforts to recover royalties from companies which it alleged had infringed its patents.

That policy bore fruit last November when International Business Machines paid Rodime $13m in an out of court settlement. In June it reached an agreement with Conner Peripherals involving a payment that was "material" from Rodime's point of view.

By running down its manufacturing and nearly halving its 620-strong staff, Rodime and its bankers hope to ensure that it will be financially credible as it pursues the other companies which it believes have violated its patents.

It hopes also to sell its licenses and will maintain its repair facility which could eventually be sold.

"Our patents run to the year 2004 and the highest volume production of the 3.5 inch drive hasn't started yet," Mr Bailey claims. "It's unlikely that people will be able to produce a 3.5 inch drive without infringing our patents."

In other words there may still be some proceeds for the shareholders.

Mr Katzive, who acknowledges "it's always very sad when a pioneer goes down," has his doubts.

"Rodime are going into the legal business. But after a while the well will run dry as the technology gets older and the number of companies they can license to doesn't grow. Engineers will try to find a way round the patents as fast as they can."

API stays independent but questions remain

By Peter John

THE FAILURE of NMC's bid for rival packaging group API leaves two fundamental questions hanging over the target company – the future of its management and its finances.

When the deadline for the bid passed at 1pm on Saturday only 23.2 per cent of API's shareholders had accepted NMC's all-paper offer.

Mr Norman Gordon, NMC's chief executive, said: "We have lost and accept the decision of API's shareholders although we continue to believe that our offer represented the best alternative for the future of API."

The other alternative, NMC has argued consistently throughout the nine-week takeover battle, is a company with dwindling profits and a fragmented management.

API's pre-tax profits slumped from £7.76m in 1988 to £1.86m last year and an estimated £650,000 this year. At this year's interims it announced an £849,000 loss.

The company, which has three divisions involved in manufacturing stamping foil, converted film and paper products, has also been bedevilled by management problems.

In March Mr Adrian Missenden, the managing director, resigned after a disagreement over strategy and Mr Charles Rawlinson, the chairman, brought forward his retirement with immediate effect.

API was left with only one executive director until the emergence of the bid when Mr Eric Holroyd was appointed temporary director.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Wassall (UK)	DAP Inc (US)	Building Products	£53m	USG debt restructuring sale
ICI (UK)/Ferro Corp (US)	JV	Powder coatings	n/a	Creating sector's largest
Siemens (Germany)	Cardion Electronics (US)	Radar Systems	£8.5m	Sale by Ferranti International
Odyssey International (Canada)	Head Sports Wear (US)	Sports goods	£28m	Includes Head brand name
Viacom International	MTV Europe (Europe)	Television	£60-65m	Viacom taking full ownership
Siemens (Germany)/Tesla Karlin (Czechoslovakia)	Tescom (JV)	Electrical instruments	£16m	Production & marketing venture
Leucadia National Corp (US)	Molins (UK)	Indstrial machinery	n/a	2% buy renews siege
Rowan companies (US)	KLM Helicopters Holland	Helicopters	n/a	49% stake agreed
Partek (Finland)/ Proventus (Sweden)	JV	Building ceramics	£19m	Recession-induced merger
Harper Group (US)	SW Air Freight (France)	Freight agency	n/a	Harper takes 70%

Source: FT Mergers & Acquisitions International

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.08.91: Pool purchase price £/MWh	Final Prices for Trading on 28.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.03	15.76	19.29
0100	15.81	10.00	13.50
0130	15.81	10.00	13.52
0200	15.81	10.00	13.52
0230	15.81	15.63	15.63
0300	15.81	15.63	15.63
0330	15.67	15.63	15.63
0400	15.59	15.53	15.53
0430	15.50	15.53	15.53
0500	15.50	15.53	15.53
0530	15.50	15.44	15.44
0600	15.50	15.43	15.43
0630	15.60	15.44	15.44
0700	15.65	15.46	15.46
0730	15.80	15.63	15.63
0800	15.81	17.10	20.70
0830	16.93	22.20	25.87
0900	16.93	22.20	25.84
0930	17.27	17.10	20.64
1000	17.40	17.10	20.63
1030	17.57	17.83	21.39
1100	19.00	18.01	21.57
1130	19.00	18.01	21.57
1200	19.00	19.25	22.85
1230	21.74	24.08	27.82
1300	21.74	19.25	22.85
1330	18.60	18.01	21.58
1400	17.71	18.01	21.58
1430	17.71	15.92	15.92
1500	15.81	15.92	15.92
1530	15.81	15.92	15.92
1600	15.67	15.92	15.92
1630	15.67	15.92	15.92
1700	15.81	15.92	15.92
1730	15.81	15.92	15.92
1800	17.71	15.92	15.92
1830	17.71	15.92	15.92
1900	17.71	15.92	15.92
1930	17.71	15.92	15.92
2000	17.71	15.92	15.92
2030	17.71	15.92	15.92
2100	21.31	15.92	15.92
2130	21.31	18.01	21.58
2200	19.61	18.01	21.57
2230	17.40	20.01	23.65
2300	17.40	20.02	23.64
2330	17.40	27.50	31.28
2400	17.27	27.50	31.39

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.08.91: Pool purchase price £/MWh	Final Prices for Trading on 29.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.64	20.11	22.61
0100	16.64	17.68	20.12
0130	15.81	17.10	19.54
0200	15.81	17.10	19.53
0230	15.81	17.10	19.54
0300	15.81	17.10	19.54
0330	15.67	17.10	19.54
0400	15.60	17.10	19.54
0430	15.60	17.10	19.54
0500	15.50	15.49	15.49
0530	15.50	15.48	15.48
0600	15.60	15.48	15.48
0630	15.50	15.56	15.56
0700	15.65	17.12	19.55
0730	15.80	17.48	19.88
0800	15.80	17.43	19.72
0830	16.55	19.38	21.74
0900	17.28	21.30	23.62
0930	17.33	26.67	29.00
1000	17.50	26.67	28.97
1030	18.82	23.05	26.33
1100	18.82	21.30	23.62
1130	18.82	21.30	23.65
1200	18.82	20.79	23.14
1230	18.82	20.79	23.13
1300	18.82	20.79	23.14
1330	17.62	18.36	20.64
1400	17.62	20.79	23.13
1430	15.95	23.06	25.35
1500	17.62	24.14	26.40
1530	15.95	21.30	23.60
1600	17.62	21.30	23.60
1630	17.62	21.30	23.59
1700	17.62	20.79	23.13
1730	17.62	20.79	23.15
1800	17.62	18.36	20.65
1830	17.62	18.36	20.65
1900	17.62	17.48	19.75
1930	15.95	17.48	19.75
2000	15.95	17.48	19.76
2030	17.62	15.88	15.88
2100	19.80	17.48	19.76
2130	21.46	17.48	19.75
2200	19.80	17.48	19.74
2230	19.80	20.32	22.63
2300	17.34	20.32	22.63
2330	17.34	17.48	19.74
2400	17.33	17.48	19.75

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.08.91: Pool purchase price £/MWh	Final Prices for Trading on 30.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.80	15.68	15.68
0100	15.80	15.51	15.51
0130	15.80	15.51	15.51
0200	15.80	15.51	15.51
0230	15.80	15.51	15.51
0300	15.80	15.51	15.51
0330	15.65	15.51	15.51
0400	15.55	15.51	15.51
0430	15.55	15.51	15.51
0500	15.55	15.51	15.51
0530	15.48	15.49	15.49
0600	15.69	15.51	15.51
0630	15.65	15.68	15.68
0700	15.67	20.12	23.04
0730	15.95	20.12	23.03
0800	18.10	17.37	20.20
0830	18.92	18.07	20.92
0900	18.81	18.07	20.91
0930	19.04	23.92	26.81
1000	21.47	24.21	27.02
1030	19.13	23.61	26.51
1100	21.58	22.71	25.68
1130	21.62	20.28	23.18
1200	21.65	23.61	26.56
1230	21.58	23.61	26.56
1300	21.49	20.28	23.18
1330	19.01	18.21	21.05
1400	18.98	20.28	23.18
1430	18.95	20.28	23.17
1500	21.39	20.28	23.17
1530	21.33	18.21	21.05
1600	21.35	21.18	24.10
1630	22.32	21.16	24.09
1700	26.90	21.16	24.08
1730	26.87	21.18	24.09
1800	22.25	18.21	21.06
1830	21.05	18.21	21.06
1900	18.74	18.04	20.88
1930	18.22	17.37	20.20
2000	18.16	17.37	20.20
2030	18.22	17.37	20.21
2100	25.44	17.37	20.21
2130	25.44	17.37	20.20
2200	21.57	17.37	20.19
2230	17.85	17.37	20.18
2300	19.25	17.37	20.19
2330	19.25	17.37	20.20
2400	17.15	17.37	20.21

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

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هكذا من الأجل

Nordbanken takes control of Nobel

By John Burton in Stockholm

NORDBANKEN, the state-controlled Swedish bank, yesterday took control of Nobel Industries, the chemicals and defence concern, and other holdings owned by Mr Erik Penser, the Swedish financier, to rescue the group from financial collapse.

It marks the sudden end to the corporate empire built by Mr Penser, a publicity shy tax exile living in Belgium. He was one of Sweden's leading financiers for more than 15 years. "Erik Penser is finished. His epoch is finished. He is broke, wiped out. He doesn't have a krona left in his pocket," declared Mr Bjorn Wahlstrom, the chairman of Nordbanken, the largest creditor to Mr Penser, who had a 13.5 per cent stake in the bank.

Mr Penser acquired his interest in Nordbanken in exchange for selling his stock brokerage firm Carnegie Fondkommission to the bank in 1989.

Nordbanken will inject new capital into Nobel after the chemicals group lost an investment of at least SKr1.75bn ($277m) in Gamlestaden, a finance company controlled by Mr Penser. Details about financial support for Nobel will be disclosed today, with other banks, including Skandinaviska Enskilda Banken and Handelsbanken, planning to participate in exchange for shares in Nobel.

Nordbanken will issue new shares totalling SKr6bn to support its rescue of Nobel and Yggdrasil, the investment company that held together Mr Penser's holdings.

Trading in Pharos, the separately listed technology subsidiary of Nobel, was suspended on the Stockholm bourse yesterday, pending completion of the bail-out package.

Nordbanken plans to appoint a new board of industrialists to run Nobel. "We want Nobel to focus on its core activities of chemicals and we plan to dispose of some of its non-core assets," said Mr Lars Thunell, Nordbanken vice-president.

Gamlestaden triggered the crisis by revealing last week that its entire shareholder capital was exhausted after it suffered losses of SKr2.8bn during the first half of 1991, due to bad loans. The losses threatened to drain further capital from Nobel Industries and Yggdrasil, raising the possibility of their bankruptcy, since they had promised Gamlestaden's creditors the finance company would maintain an equity-assets ratio of 16 per cent.

Nobel owned 48.5 per cent of Gamlestaden, while 52 per cent was held by Yggdrasil. Gamlestaden will fall under the control of its 14 creditor banks, led by Nordbanken and Skandinaviska Enskilda Banken, which will conduct "an orderly liquidation" of its activities. The banks have lent Gamlestaden more than SKr16bn.

The state intervention through Nordbanken underscored the Social Democrat government's worries that a possible collapse of Nobel could prove damaging less than three weeks before the country holds national elections. Nobel is an important defence contractor through its half ownership of Swedish Ordnance, Sweden's biggest arms producer.

Ownership of the new shares in Nordbanken may become a campaign issue. The state postal agency, whose branches are used by Nordbanken, is interested in acquiring three fifths of the new shares, while the state holding company Fortia will guarantee the remaining two fifths of the issue.

Fokus Bank suffers heavy operating loss

By Karen Fossli in Oslo

FOKUS BANK, Norway's third biggest bank, suffered a heavy first-half operating loss, after credit losses of NKr559.1m ($81.7m). The bank has also been forced to accept another financial rescue package and launch a NKr500m capital expansion during 1992.

The bank switched recently from reporting results every four months to a quarterly basis, but executives said the half-year result was in line with the previous corresponding period. For the whole of 1990 Fokus posted an operating loss of NKr1.18bn.

The release of the results came as Mrs Gro Harlem Brundtland, Norway's prime minister, announced the appointment of a committee to investigate the decline in the country's banking system in the past four years. She said members of the committee would be drawn from bank watchdog commissions, the finance ministry and others concerned with bank industry affairs.

The government and the guarantee fund of the commercial banks have had to rescue several Norwegian banks from collapse. Credit losses at the half-year mark hit NKr754.9m, against NKr1.18bn for 1990.

Last year Fokus was granted a NKr1.5bn guarantee from the commercial banks' guarantee fund to help boost its capital.

Weekend meetings between state and banking authorities were crucial in putting together a plan for its rescue.

The conditional rescue package calls for a NKr650m support loan – in the form of preference capital – from the state's NKr5bn bank emergency fund with an interest rate of 8.5 per cent, the same rate paid by the central bank for state deposits. It will be despatched through the guarantee fund of the commercial banks.

The Forende insurance group, Fokus' biggest customer, said it would sign on for one third of the bank's planned NKr500m capital expansion in 1992, if Fokus could meet stringent performance and rationalisation targets.

Forende's support was made possible by dispensation it received from Norwegian authorities to own more than 10 per cent in another finance institution and a pact agreed between it and Fokus to co-operate in banking and insurance sales.

Mr Jan W. Hopland, Forende's president, said although a holding company would not be formed for his company and Fokus, the co-operation agreement would give up to 80 per cent of the synergy effects of a holding company structure.

The austerity plan forces Fokus to cut costs by at least 20 per cent in 1992. Part of this will be achieved through the closure of 18 branches and 320 job cuts out of a staff of 2,100. The bank must also cut risk-weighted assets to about NKr35bn by the end of 1991 and to NKr25bn over a two-year period.

Trading in the bank's shares began again yesterday, after being suspended last Friday on rumours it was to seek a state cash injection. The suspension forced Fokus to postpone release of the half-year figures until yesterday.

CHRISTIANIA BANK, Norway's second biggest bank, said its top paid executives have voluntarily agreed to cut their annual salaries by 20 per cent, writes Karen Fossli.

Their decision forms part of an overall austerity programme aimed at reducing the bank's costs by NKr600m within a year.

Mr Borger Lenth, who has replaced Mr Sverre Walter Rostoft as president, is to be paid an annual NKr1.2m salary, compared with his predecessor's NKr1.45m.

In 1990 the bank paid salaries and other remuneration to employees and officers totalling NKr1.184bn, but a bank spokesman would only say the current salaries of the top 36 executives are in line with those of other banks' executives.

Christiania said the executives' salaries' reduction is due to the bank's poor results and the requirements for the capital injection in the form of primary capital which it recently received.

Viag hit by weak US trading conditions

By David Goodhart in Bonn

VIAG, the acquisitive German conglomerate, said yesterday it was dissatisfied with its result for the first six-months, attributing poorer returns in some of its businesses to weak trading conditions in the US.

Sales rose 31 per cent to DM11.7bn ($6.6bn) mainly due to acquisitions, most significantly the takeover of Continental Can Europe. Post-tax profit also rose from DM149m to DM159m.

Energy and packaging remained strongly performing sectors, electricity sales rose 6 per cent and gas rose 13 per cent. Klöckner, the trading group, also saw stronger sales. However, aluminium, chemicals and ceramics were all weaker than expected at the beginning of the year.

Viag, which is the eleventh largest company in Germany by sales, invested DM2.4bn in the first six months, DM1.6bn in take-overs. At the end of June the company employed 68,000 people, 39 per cent more than a year earlier.

With the takeover of Continental Can Europe the company acquired a controlling stake in the German packaging group Schmalbach-Lubeca. Schmalbach announced earlier this month that it had taken over the US packaging group Continental White Cap of Illinois.

McDonnell Douglas in aircraft cost dispute

By Martin Dickson in New York

MCDONNELL Douglas's controversial programme to develop a new military transport aircraft for the US government has become embroiled in a fresh dispute over the likely cost of the scheme.

A report drawn up by the Pentagon claims the company is likely to exceed the $6.6bn cost ceiling on the programme by between $1.4bn and $2.6bn.

If correct, this would mean large write-offs for the St Louis-based company, the largest US defence contractor, at a time when it already has a stretched balance sheet.

However, McDonnell Douglas yesterday expressed surprise and bafflement at the Pentagon figures, which bear no relation to the company's estimates or those of the US Air Force, which is closely involved in monitoring the development of the aircraft.

McDonnell estimates the cost of the development programme at $7.04bn, but says most of the over-run is due to extensions of its contract or $200m of items which it will be able to claim back from the government, such as delays beyond its control.

The air force estimates the cost of the programme at $7.3bn.

The C-17, which is being built at McDonnell Douglas's plant in Long Beach, California, has been plagued by problems which have delayed its initial test flight by a year.

It was supposed to have made its maiden flight this summer. A company spokesman said yesterday the flight would be "soon".

Oslo bourse inquiry reveals possible illegal activity

By Karen Fossli

AN INVESTIGATION by the Oslo stock exchange into share trading, before the announcement last June of a merger between Orkla Borregaard and Nora Industrier, Norway's two biggest food and drinks companies, has discovered evidence of possible illegal activity.

The Oslo bourse found signs of possible insider trading, price manipulation and illegal "parking" of shares in the company by four board members.

The findings have been turned over to the Banking, Securities and Insurance Commission (BISK), a finance industry watchdog, which will in turn either hand it over to Oslo police authorities or pursue the case further.

Orkla Borregaard and Nora Industrier announced plans to merge on June 25 to form Norway's third biggest company, but three companies in which four of Nora's board members have interests bought 178,476 Nora A-shares in the weeks before the merger was formally announced, at a time when the company's shares gained in value.

The merger called for a NKr289.5m ($41.5m) cash bonus to be distributed to Nora shareholders, in addition to the basic merger deal in which 10 Nora shares are to be exchanged for 11 Orkla shares.

Holders of Nora restricted A-shares will receive NKr12 a share, holders of free A-shares will get NKr17.5 a share and holders of B-shares are to get NKr9.25 a share.

Mr Kjell Froensdal, a bourse official who led the investigation, explained that although concrete evidence of illegal dealing was not obtained, the bourse had reason to believe that certain transactions in Nora A-shares were made intentionally rather than coincidently.

"For the general confidence in the (Oslo) market, such a case is never good, but at least we have been able to bring certain things to light which prove that the control side of the bourse is functioning," Mr Froensdal said.

The planned merger is due to be formally approved by shareholders on September 3.

The merged company will have an annual turnover of NKr15.5bn and 14,000 employees.

Comalco sees 50% reduction in net profit

COMALCO, Australia's largest listed aluminium producer, more than halved its net profit for the half-year to June 30 from A$80.6m (US$67.1m) to A$33.4m, writes Mark Westfield in Sydney.

Pre-tax earnings for the company, which is 67 per cent owned by mining house CRA, dropped to A$81.2m from last year's A$134.4m. Directors slashed the interim dividend to 3 cents from 8 cents a share last year.

Comalco blamed low metal prices and losses from its smelting operations and US rolling businesses for the profit downturn. Its bauxite and alumina production was profitable, however.

Comalco produces about 490,000 tonnes of aluminium a year and about 1bn tonnes of alumina.

Mr Mick Stump, chief executive, said the London Metal Exchange price for aluminium had dropped from an average of 76 US cents a pound in 1990 to 66 cents this year. He added prices were not expected to recover significantly from current levels in the near term.

Comalco struck its result on sales of A$1.03bn, marginally below the $1.047bn turnover of the first six months of last year.

NRI TOKYO BOND INDEX

December 1983 = 100	23/08/91	Average yield (%)†	Last week	12 mth ago	24 mth ago
		PERFORMANCE INDEX			
Overall	159.18	6.77	158.76	150.42	154.36
Government Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Municipal Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gov.-guaranteed Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Debentures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporate Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen-denom. Foreign Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Government 10-year	6.41		6.42	6.58	6.34

† Estimated par yield

Source: Nomura Research Institute

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Sceptics doubt recovery on the way

GILT. YIELDS moved steadily downwards last week, as prices for many types of UK government securities touched their highest levels since April.

Four main influences were at work in the market to explain the price movements, which were most visible for long-dated gilts. The price for the benchmark 9 per cent Treasury bond maturing in 2008 moved up, for example, by nearly 1 point, to stand on Friday night at 93⅞.

First was the general sense of relief at the outcome of events in the Soviet Union, following the failed coup at the beginning of the week. The sheer emotional impact of the news from Moscow was responsible for some part of the price-rise during the week, in a development which partly took its cue from the rally in the equity market.

A second development was the various indications during the week about trends in the UK economy. A small rise in retail sales volumes in July, which followed on from the 1.5 per cent increase in sales in June, was greeted in some quarters as a sign that the much-expected recovery was on the way.

However, many gilt practitioners – and not a few economists in the retailing sector and in other areas of consumer-oriented industry – were sceptical. They pointed to the fact that an increase in retail volumes in June and July was probably due largely to the clearance campaigns adopted over the summer by many recession-hit shops aimed at shifting goods at low prices and at the expense of margins.

Likewise, many economists poured cold water on notions that a rise in bank lending and a flattening in the decline of the past year in import volumes were signs that an upturn might be round the corner.

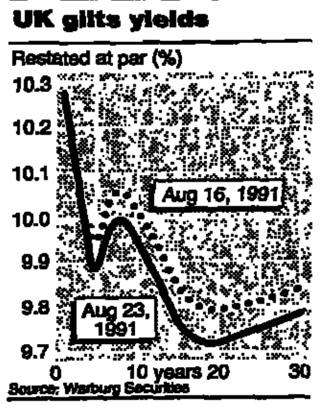
"It is extremely misleading to talk now of a recovery," said Ms Valerie Burton, chief economist at Bass, the brewing and leisure group.

As for indications that consumer spending (equivalent to about two thirds of UK gross domestic product) may soon start to jump into life, Mr Simon Briscoe, an economist with City investment house Greenwell Montagu, said: "The vast bulk of the UK population still can't see the light at the end of the tunnel."

The general view, therefore, about the economic data of the week is that they point to a slow and muted recovery later in the year. This turn of events would be good for the gilt market, because it would follow that inflationary pressures over the next year or so are likely to be small.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

While these two factors both helped to depress yields, two other developments pushed the market in the other direction. One was the likelihood that the D-Mark – a casualty of fears early last week that the Soviet Union might be sinking into crisis – seems likely to strengthen in the coming weeks, assuming that Mr Gorbachev and his political colleagues push through the reforms which many argue are needed to stabilise the Soviet economy and speed up an integration of the country with western markets.

Assuming this happened, the opportunity for interest rate cuts for the UK would be decreased, due to the constraints of the European exchange rate mechanism.

That development would be bad for gilts, especially at the short end of the market. (This may explain why short-dated gilts performed relatively badly last week, with yields pushed up a notch.) It is generally assumed the UK government will want to cut interest rates from their current 11 per cent to 10½ per cent over the next month or so. A stronger D-Mark will almost certainly hinder this goal.

The final factor which had a depressing influence on gilts at the end of the week was simply the thought that prices might have risen too high.

"With a possibility of a large batch of gilt issues coming up, and the depressing effect this would have on the market, I have my doubts about whether the current level of prices is sustainable," said Mr Nigel Richardson, a gilt specialist at S. G. Warburg.

Peter Marsh

GERMAN BONDS

Shaken market recovers its composure

THE German government bond market recovered its composure with remarkable speed following last week's traumatic events in the Soviet Union.

A 1.15 point fall in benchmark 10-year bond prices on Monday was not catastrophic, especially compared with the 9 per cent fall in equity prices on the same day, but the bond market was clearly shaken.

Germany would have more to lose than other European countries if the Soviet Union drifted back into a closed, authoritarian society.

Trade with the Soviet Union last year amounted to DM20bn ($11.4bn), still less than 2 per cent of total trade, but enough to provide an unwelcome shock to the fragile economies of the east German länder.

The crisis in the Soviet Union looked likely to weaken substantially the D-Mark. A depreciation of the German currency would increase the cost of imported goods, adding to inflation and increasing pressure on the Bundesbank to raise interest rates. The German currency fell from DM1.82 against the dollar in the early hours of Monday to DM1.76 by the close of trading in New York. Only concerted central bank intervention prevented a sharper depreciation.

Only four days before the coup attempt, Mr Helmut Schlesinger, the Bundesbank president, increased the discount rate by 1 per cent and the Lombard emergency funding rate by 0.25 per cent to try to control inflation. He stated the German central bank was committed to maintaining a strong currency to fight inflation.

Other fears were more disparate. For example, bund dealers cited the fear of a fresh wave of immigration. The German economy is already struggling to assimilate the east German states. There are up to 8m Soviet citizens who can claim German descent.

Add to this the fact that 273,000 Soviet troops are still stationed on German soil and the emotional capital invested by many Germans in perestroika – the policy which had allowed reunification.

Against this background a one-point fall in cash bund prices on Monday appeared controlled. Moreover, bond prices promptly recovered one third of a point on Tuesday and half a point on Wednesday as it became clear the coup attempt had failed. By Thursday the bund market was focusing once again on domestic economic fundamentals.

There was no all-German economic data last week, but analysts are anticipating consumer price inflation data for August. A monthly increase in prices of 0.3 per cent for a year-on-year rise of 4.3 per cent is anticipated, against 4.5 per cent in July. If these expectations are matched, bund prices are expect to move higher.

There was even cautious optimism the coup attempt and its eventual failure will benefit the bund market by:

- Reducing the threat of further political upheaval in eastern Europe. Many institutions have been tentative in committing funds to the German market, despite persuasive arguments in terms of economic fundamentals, because of the perceived danger of unrest in the Soviet Union.
- Forcing other western nations to step-up aid to the ailing Soviet economy. Germany has provided DM60bn of aid since 1989.

Simon London

US MONEY AND CREDIT

July figures bewilder the analysts

WHAT a difference a day makes. Last Thursday, after another big decline in weekly money supply figures, the odds on the Federal Reserve easing monetary policy were rapidly approaching evens. Then suddenly, all bets were put on hold when Friday's stunning 10.7 per cent jump in July durable goods orders wiped the smile off the bond market's face and left analysts scratching their heads in disbelief.

As soon as the figures were released at 8.30am, dealers and investors knocked almost a full point off the benchmark 30-year bond and a hefty quarter of a point off the two-year note in the first few hours of business. Their rationale was simple. The data showed the economy was in a much stronger state than the "double-dippers" had led everyone to believe and any plans the Fed might have had for cutting rates were going to be put on hold.

Yet the numbers, always one of the more capricious collections of economic entrails, require closer attention than the Treasury market was willing to give them. Not for nothing are durable goods orders labelled "The Prince of Volatility" in Stansbury Carnes and Stephen Slifer's estimable guide to market forces: "The Atlas of Economic Indicators" (published by Harper Business in the US).

As Carnes and Slifer point out, durable goods orders are extremely volatile for several reasons, the chief being that the data include orders for civilian aircraft and defence goods, which have a tendency to jump around by billions of dollars every month. Not surprisingly, within the 10.7 per cent headline increase, more than half was accounted for by rises in orders of aircraft for US and foreign carriers, in electrical transport machinery and in defence equipment for the Pentagon.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.38	5.38	5.69	11.00	2.00
Three-month Treasury bills	5.52	5.38	5.73	7.81	5.53
Six-month Treasury bills	5.69	5.50	5.98	7.75	5.82
Three-month prime CDs	5.75	5.65	5.97	9.01	5.86
30-day Commercial Paper	5.65	5.57	5.90	9.95	5.80
90-day Commercial Paper	5.64	5.56	5.93	10.05	5.81

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	102¼	[illegible]	7.69	7.63	8.05
20-year Treasury	111	[illegible]	8.07	8.05	8.34
30-year Treasury	99[illegible]	[illegible]	8.13	8.08	8.38

Source: Salomon Bros (estimates).

Money supply: In the week ended August 12, M1 fell by $5.3bnto $862.4bn.

If the increased orders in transportation and defence goods are stripped out of the figures, the underlying rise of orders in July was 4.5 per cent. This is still a healthy increase, but then seasonal adjustments, which are always somewhat exaggerated in the middle of summer, must be taken into account.

Ultimately, the durable goods orders is indicative of improved economic conditions, but not much more. A clearer picture of the nation's health can be gleaned from looking at the state of the motor industry – still the cornerstone of the US manufacturing base.

Friday's sales figures from domestic car makers again showed how tough life is for the car industry. In the mid-August period, domestically made cars sold at an estimated seasonally adjusted annualised rate of 6.1m units, down from the already weak 6.2m unit pace seen at the start of the month. Sales at General Motors, the biggest of the big three manufacturers, are currently running at a level 13.4 per cent below last year's sales.

If the poor car sales are added to the sluggishness of money growth and continued weakness in the labour market, then the ingredients for another cut in rates exist.

The consensus remains that when the Fed's policy-making Open Market Committee (FOMC) met last Tuesday the vote went in favour of another easing, although not yet. The FOMC is worried most by the depressed state of the money supply, as is clear from the just-released minutes of the committee's July meeting.

The minutes showed an overwhelming majority of the FOMC voted to maintain the Fed's target for money growth this year of between 2.5 per cent and 6.5 per cent. By keeping that target, the FOMC was putting its weight behind the importance of stimulating monetary growth to boost economic activity. Given that growth in M2, the key measure of money defined as consumers' notes and coins, plus some deposit accounts, has been so slow of late, the Fed will want to do as much as it can to boost monetary aggregates.

Yet do not expect a move on rates for at least another week. Mr Alan Greenspan, the Fed chairman, will want to wait and see how the August employment numbers fall before taking any action. The date to look out for is September 6, when analysts expect non-farm payrolls to show a rise of between 25,000 and 50,000. Anything stronger and the Fed might have second thoughts about the need for a rate cut, anything weaker and the discount rate is likely to come down rapidly by 50 basis points to 5 per cent and the Fed funds rate by 25 basis points to 5¼ per cent.

Patrick Harverson

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	102½		7.07
ABN 9 1/8 94	200	103¾	+⅛	7.79
AETNA LIFE & CAS 7 3/4 16	200	100¼	+⅛	7.73
ALBERTA PROVINCE 8 5/8 96	750	102⅞	+⅛	7.92
ALBERTA PROVINCE 9 3/8 95	600	105⅛	+⅛	7.80
AMERICAN EXPRESS 0 00	450	44½		9.13
AMERICAN GENERAL 9 3/4 95	100	102⅞	+⅛	8.86
AMERICAN INTL 0 04	750	31¾	-⅛	9.21
ASIAN DEV BANK 0 04	1000	33⅝		8.86
AUSTRALIA 11 95	200	109⅜	+⅛	7.99
AUSTRALIAN WHEAT 9 1/2 93	200	104⅛	+⅛	7.29
AUSTRIA 7 3/4 97	200	99	+⅛	7.96
AUSTRIA 8 1/2 00	400	100⅞		8.34
AUSTRIA 9 5/8 93	140	103⅝	+⅛	6.97
BANK OF TOKYO 8 3/8 96	100	100⅞	+⅛	8.19
BARCLAYS JERSEY 10 5/8 95	250	108⅞	+⅛	8.09
BELGIUM 8 97	300	100	+⅛	7.98
BELGIUM 8 3/4 98	400	102⅜	+⅛	8.26
BELGIUM 9.2 10	500	104⅝	+⅛	8.69
BELGIUM 9 5/8 98	250	106⅝	+⅛	8.31
BELLSOUTH CAP FUND 9 1/4 93	120	104⅛	+⅛	7.12
BETAWEST PROP 7 3/4 93	150	100		7.72
BFCE 7 1/4 93	100	100⅜		6.99
BFCE 7 3/4 97	150	99⅝	+⅛	7.82
BNP 8 5/8 94	300	103⅛	+⅛	7.35
BOOTS 9 97	175	102⅛	-⅛	8.47
BP AMERICA 9 3/4 99	250	106	+⅛	8.61
BP CAPITAL 9 5/8 93	150	103⅞	+⅛	7.04
BRIT COL HYDRO 11 3/4 93	200	108⅛	+⅛	7.29
BRITISH GAS 8 3/8 99	350	101⅛		8.18
BRITISH TELECOM FIN 8 3/4 99	200	103	+⅛	8.22
BRITISH TELECOM FIN 9 3/8 98	250	105⅝	+⅛	8.30
CAISSE NAT ENERGIE 11 3/4 95	125	113⅜	+⅛	7.67
CAMPBELL SOUP 10 1/2 95	100	103⅝		9.37
CANADA 9 96	1000	105⅛	+⅛	7.56
CANADA 10 95	500	108⅜	+⅛	7.67
CANADIAN PACIFIC 7 1/2 96	100	95¾	+⅛	8.58
CARCO 9 1/4 96	650	101⅝		8.96
CARIPLO 8 3/4 98	200	100⅝	-⅛	8.62
CATERPILLAR FIN SERV 0 94	140	82⅜	+⅛	7.91
CCCE 8 3/4 99	200	103⅜		8.16
CCCE 9 1/4 95	300	105⅛		7.51
CENTRUST SAVINGS 0 10	1200	12⅛		12.10
CHEVRON CORP 8 1/4 96	300	100⅛	+⅛	8.03
CNCA 7 1/2 94	150	100⅜	+⅛	7.24
CNT 8 1/2 99	160	102	+⅛	6.98
COLGATE-PALMOLIVE 9 1/2 96	100	102⅛	+⅛	8.85

	Issued
SAS 10 1/8 95	150
SBAB 9 1/2 95	500
SEAGRAM CD 8 1/2 96	100
SEARS O/S FIN 0 98	500
SEARS O/S FIN 11 5/8 93	150
SEARS ROEBUCK EURO 9 3/4 95	500
SNCF 7 1/4 94	175
SNCF 9 1/2 98	150
STATE BK NSW 8 1/2 96	200
STATE BK STH AUST 9 1/4 93	100
STATOIL 7 5/8 94	200
STH AUST GOVT FIN 8 3/4 93	100
SUMITOMO BK CAP MKT 9 3/8 93	150
SWEDEN 8 1/8 94	150
SWEDEN 9 1/4 98	350
SWEDISH EXPORT 9 5/8 93	100
TAIYO KOBE 7 3/4 94	100
TOKAI ASIA 11 1/2 95	100
TOKYO ELEC POWER 8 3/4 96	300
TOKYO METROPOLIS 8 1/4 96	200
TOKYO METROPOLIS 9 1/2 93	200
TOYOTA MOTOR CRED 8 1/2 94	200
UBS FIN 9 1/8 02	225
UNILEVER CAP CORP 9 1/4 00	400
UNION BK FINLAND 8 94	200
UNITED TECHNOLS 7 3/8 93	200
VICTORIAN PUB AUTH 8 3/8 96	100
WARNER-LAMBERT 8 1/8 96	100
WORLD BANK 8 1/8 01	1500
WORLD BANK 8 3/8 99	1500
WORLD BANK 8 3/4 97	1500
XEROX CORPN 8 3/8 96	100

FLOATING RATE NOTES	Issued
ALASKA HOUSING 1/10 01	125
ALBERTA PROVINCE 1/32 93	500
ALLIANCE & LEICS 0.08 94 £	300
ALLIANCE & LEICS 0.1 95 £	150
AMERICAN EXPRESS BK 1/8 99	200
ANGLIA 1/8 98 £	100
ANZ BANKING 0.15 PERP	300
BANCO ROMA 0.03 01	200
BANCO SANTO SPIRITO 93	200
BANK OF GREECE 1/4 99	250
BANK OF MONTREAL 1/20 98	250
BARCLAYS O/S INV 1/8 04	350
BBL INTL 0.05 01	200

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

BP renegotiates its standby credit facility

BRITISH Petroleum has renegotiated its standby credit facilities, reducing both the number of banks involved and the total amount from \$6.5bn to \$4bn.

The decision – announced last week – reflects BP's concern that it was proving too expensive to maintain such a large standby credit facility.

At the same time it wished to channel its business through a smaller number of *relationship banks.*

BP originally had \$6.5bn of bank loans at its disposal, consisting of the following:

- A \$1.5bn loan arranged in 1985, due to mature in 1992;
- A \$2bn loan set up in 1986, maturing at the end of 1993; and
- A \$3bn loan arranged in 1988 with a maturity of February 1993.

BP has cancelled the \$1.5bn and the \$3bn credit facilities, while keeping open \$850m of the \$2bn loan which has the maximum maturity. (The \$2bn loan was acquired by BP in 1987 when it took over the minority 45 per cent stake in Standard Oil, the US oil company.)

In addition BP has taken on a new five-year facility for \$3.15bn, to give a total committed standby credit of \$4bn.

BP says the loans have been negotiated as a series of separate bilateral lines with identical documentation but varying payments to the banks involved.

The pricing, which has not been disclosed, is related to the individual banks' participations in the previous credit facilities. BP said it decided to renegotiate its credit facilities well ahead of the maturity dates to obtain better terms.

The main reason for the cut in its credit facilities is that BP does not plan any large acquisitions in the immediate future.

Originally, its \$3bn facility, established in 1988, had been intended to provide acquisition financing. It was used to provide bridging finance in 1989 when BP was forced to buy back 11.7 per cent of its own shares from the Kuwait Investment Office – although the credit facility was later topped up from other sources, according to BP.

Pricing has increased considerably since then and BP now believes it can reduce its costs (in terms of commitment fees) by reducing the total size of the standby credit.

BP has also reduced the number of banks, from 67 to 27, on the new \$3.15bn financing. BP prefers to use a small number of relationship banks as this has the advantage of simplifying the administration of loans and is less time-consuming.

Other bankers point out that the \$7.6bn refinancing of News Corporation, the Australian media group, earlier this year was greatly complicated by the *fact that 146 international* banks were involved in lending to the group.

■ This week *there has been* doubt over whether National Bank of Hungary would go ahead with the signing of a \$140m five-year syndicated loan agreement arranged by the long-term Credit Bank of Japan.

However, with the failure of the coup in the USSR and the reinstatement of Soviet President Mikhail Gorbachev the signing took place on Friday.

The loan is split into three tranches: a Y4bn fixed-rate loan priced at 75 basis points *over the Japanese yen* long-term prime rate (LTPR) and fixed at drawdown; a Y4.13bn *floating-rate* loan priced at 75 basis points over the Japanese yen LTPR and reviewed semi-annually; and an \$81m floating-rate loan which is priced at 137.5 basis points over the US dollar six-month London inter-bank offered rate (Libor).

Sara Webb

EUROMARKET TURNOVER (\$m)

	Straights	Conv	FRN	Other
Primary Market				
US\$	2,369.1	0.0	560.0	10,719.3
Prev	902.8	183.0	0.0	10,551.2
Other	1,423.0	0.2	227.4	7,104.9
Prev	778.8	3.6	106.6	6,108.9
Secondary Market				
US\$	19,702.5	1,029.1	5,251.3	10,349.6
Prev	19,153.0	984.5	5,859.2	9,491.1
Other	26,382.2	980.6	3,311.5	50,163.4
Prev	32,360.7	892.9	2,842.9	54,746.9

	Cedel	Euroclear	Total
US\$	16,667.8	33,313.1	49,980.9
Prev	15,873.8	31,251.0	47,124.8
Other	29,854.2	59,739.0	89,593.2
Prev	33,629.4	64,201.9	97,831.3

Week to August 22, 1991 *Source: AIBD*

INTERNATIONAL BONDS

Latin American borrowers set to re-enter the market

THE improving perception of *Latin American debt* received a further boost last week, when Brazil's latest debt restructuring *plan met a favourable* response from its bankers.

The move should help the *swell of* Latin American borrowers returning to the international capital markets to gain further impetus. According to research by Salomon Brothers, capital flows into Latin America grew from \$5bn in 1989 to over \$13bn for 1990.

Mexican and Venezuelan borrowers have been at the forefront of the return to international markets. Mexico and Venezuela have already rescheduled their debts under the Brady plan, but, with Brazil and Argentina both widely expected to reach agreement with their banks by the end of the year, more borrowers are *set to re-enter* the markets.

"Mexico and Venezuela reached agreement first; then the *deals* started coming. With Brazil, the deals came first," pointed out one banker, highlighting the *acceleration* in the sector's rehabilitation.

Brazil's *credit-worthiness* has been steadily improving, as the coming rescheduling has been increasingly discounted by the market. Brazil's outstanding debt is now trading at about 38 cents in the dollar, against just 27 cents six *months ago.*

Petrobras, Brazil's state oil company, has completed two financings in recent months. A debut two-year international deal launched in July was priced at a *yield spread of* more than 600 basis points above the comparable Treasury. But a \$200m five-year Eurobond via J. P. Morgan last week was priced to yield some 500 basis points over the comparable government bond.

Meanwhile, Brazil's *state* iron ore company CVRD – Compania Vale do Rio Doce – is believed to be working on a three-year deal, expected to total around \$200m. The mandate for that deal, likely to carry a 12 per cent coupon, is *expected to go to Citicorp.* However, bankers note the mandate could prove politically sensitive, since Citibank heads the bank advisory committee *which is negotiating* Brazil's rescheduling.

Argentina, which may reach agreement *on its debt* rescheduling as early as this autumn, is expected to return to the *international capital markets* in September. The Republic of Argentina is planning a \$100m issue maturing in two years, with a put option after one year. J. P. Morgan is arranging the deal.

In addition, several private *sector Argentine companies* – some of which may be able to raise cheaper funds than the *government* – are looking at the capital markets. Compania Naviera Perez Companc, a privately *owned oil and bank* holding company, is believed to be planning a \$100m deal via Chase Investment Bank.

Meanwhile, Mexico and Venezuela are likely to provide a further supply of paper.

Mexico in particular has stunned bankers by the speed at which it has been able to attract fresh investment in its debt. Mexican companies' foreign debt has risen from \$1.5bn *to \$7bn in seven months.*

As well as more bond issues, several Mexican companies are also planning to set up Euro-commercial paper programmes. Until now, Mexican companies have focused on international bond issues, *because they have been able to* raise short-term funds in their domestic market from banks. *However,* a recent change in regulations has imposed reserve requirements on banks *issuing certificates of deposits* – which financed the domestic *funding.* Consequently, the cost of short-term debt in the domestic market has risen and Mexican *companies* such as Pemex, the state oil company, are said to be setting up commercial paper programmes as an alternative source of short-term funding.

The diversification in maturities is likely to be matched by *increasing diversification* in currency sectors. So far, most Latin American deals have been denominated in dollars (although there have been issues in D-Marks, Austrian Schillings, Ecu and pesetas as well). The Swiss franc market *is likely to be tapped* and more deals in Ecu may also be on the cards.

Following two Venezuelan deals last week, one of which was for the Republic, a further issue is in the works. Petroleos de Venezuela, the Venezuelan oil company, is said to be preparing to launch a \$230m to \$250m five-year Eurobond. The deal is *believed* to refinance some bridge financing and Bankers Trust is said to be arranging the deal.

These four countries – Mexico, Venezuela, Brazil and Argentina – *still provide* the focus for most bankers' efforts, although some banks are also looking at the more limited opportunities in Uruguay.

There is also speculation that Chile may enter the market. The main reason Chile has been absent so far is that its domestic market provides companies with longer-dated and cheaper financing than they could achieve in the international *markets. However,* the improving perception of Latin American risk has helped to *make the international markets* more competitive.

Already, the rehabilitation of Latin American debt, now a popular source of high-yielding investments for European investors, has been surprisingly swift. But some bankers say the strong performance of existing deals may be leading some borrowers to become over ambitious in their funding targets. "Pemex (Mexico's state oil company) bonds have performed very strongly in the secondary market. But that is largely because they are very tightly held by retail investors," one banker said.

Most borrowers in the sector are rated below investor grade by the credit agencies. This is, *in fact,* part of the reason for their successful return. The deals emerged at a time when the demise of the junk bond market in the US had left a gap for high-yielding securities and the economic recession ravaging developed economies, *enhanced the attractions of* improving Latin-American credit.

But the sine qua non for such deals is still a high coupon, and over-aggressive pricing may lead investors to search for other high-yielding investments.

Bankers also insist that only very solid borrowers will be successful. "It's not a free-for-all," cautioned one banker. "In almost any instance, only the best names are able to come."

Tracy Corrigan

BRAZIL'S FOUR-PART DEBT RESTRUCTURING PLAN

- Conversion of registered debt into 30-year par bonds paying reduced 4.6 per cent coupon
- Exchange of existing debt at *discount of 37.5 per cent* for 30-year debt paying Libor + $\frac{13}{16}$
- \$33 of new money bonds for every \$100 of existing debt
- Temporary interest reduction bonds of 25 years with 15 years grace; and 15 years with 10 years grace

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sakai Chemical Ind.(a)♦†	100	1995	4	$4\frac{5}{8}$	100	Nikko Secs.	4.625
Petroleo Brasileiro SA(b)†	200	1996	5	10	91.7687	JP Morgan Secs.	12.625
Mitsubishi Estate Co.†	200	2001	10	$8\frac{5}{8}$	100	Daiwa Europe	8.625
SBC Finance (Cayman Is.)†	200	1996	5	$7\frac{3}{4}$	101.725	SBC	7.326
Republic of Venezuela†	150	1996	5	$9\frac{3}{4}$	*$100\frac{3}{8}$*	*Bankers Trust Int.*	9.652
Vencemos International(d)†	35	1993	2	9	98.614	Chase Investment Bk	10.019
Vencemos International(e)†	40	1996	5	10	95.499	Chase Investment Bk	11.514
Deutsche Bk Fin.NV†	250	1995	4	$7\frac{1}{4}$	100.92	Deutsche Bk Cap.Mkts.	6.978
STERLING							
Thames Water(g)§†	82	2006	15	$9\frac{1}{2}$	100	CSFB	9.726
Gen.Elec.Cap.Corp(i)†	50	1997	$5\frac{1}{2}$	$10\frac{1}{4}$	102.475	Hambros Bank	10.124
ECUs							
Daimler-Benz Nth.America†	250	1996	5	$9\frac{1}{8}$	101.325	Deutsche Bk Cap.Mkts.	8.786
CANADIAN DOLLARS							
Electric Power Devt.Corp†	150	2001	10	$10\frac{3}{8}$	99.40	IBJ Int.	10.475
Prudential Funding Corp†	125	1996	5	10	101.425	Hambros Bank	9.628
Prov.of New Brunswick†	200	1996	5	$10\frac{1}{4}$	$101\frac{3}{4}$	ScotiaMcLeod	9.791
SWISS FRANCS							
Electricite De France(h)†	100	2002	-	$6\frac{5}{8}$	$101\frac{5}{8}$	UBS	6.415
DANISH KRONER							
Den Danske Bk†	300	1996	5	$9\frac{3}{4}$	102	Den Dankse Bk	9.233
YEN							
Asahi Chemical Ind.†	20bn	1999	$8\frac{1}{4}$	$7\frac{1}{8}$	101.725	Nomura Int.	6.837
Trips Ltd Series T(c)†	3.5bn	(c)	(c)	7.55	$101\frac{5}{8}$	Toyo Trust Int.	(c)
Japan Development Bk†	*120bn*	*2001*	*10*	$6\frac{1}{2}$	99.45	*IBJ Int.*	6.577
Taisei Corp†	20bn	1998	$7\frac{1}{4}$	7.10	$101\frac{1}{2}$	Yamaichi Int.	6.823
Taisei Corp†	10bn	1999	$7\frac{1}{4}$	7.10	$101\frac{5}{8}$	Nikko Secs.	6.829
Ost'chische K'bk†	25bn	1998	7	$6\frac{1}{2}$	99.55	Nomura Int.	6.582
LUXEMBOURG FRANCS							
Commerzbank Int.SA(f)†	2bn	1999	8	$9\frac{1}{2}$	102.20	KBL	9.101
Sparkassen Bikuben★★†	600	1996	5	$9\frac{5}{8}$	102	BGL	9.109
Union Bk of Finland†	*600*	*1998*	*7.167*	$9\frac{1}{2}$	$101\frac{3}{4}$	*Bque.Paribas (Lux.)*	9.145
Accor★★†	600	1997	6	$9\frac{1}{2}$	101.85	Credit Europeen	9.087
Credito Romagnolo★★†	1bn	1998	7	$9\frac{5}{8}$	$102\frac{1}{8}$	Cregem Int.	9.200
DSL Bank★★†	300	1997	6	$9\frac{1}{2}$	$102\frac{1}{4}$	BIL	8.987

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♠Variable rate notes. †Final terms. a) Exercise premium fixed at 2.5%. Non-callable. b) Puttable 12/9/94 at 96.5217% to yield $12\frac{1}{8}$%. Callable 12/9/93 at 95.6080% to yield $12\frac{3}{4}$%. Coupon payable semi-annually. c) 2 tranches; Tranche A – Y2bn, maturity 25/4/95, Ave life $3\frac{1}{2}$ years. Yield 7.011. Tranche B – Y1.5bn, 8/8/95, 4 years, 7.057. Non-callable. d) Coupon payable semi-annually. Non-callable e) Coupon payable semi-annually. Callable 9/9/94 at 99.57599% and 9/9/95 at 100.07891%. f) Issued on fiduciary basis for Commerzbank AG. Non-callable. g) Conversion premium fixed at 14.6%. Coupon payable semi-annually. Callable from 3/96 at par or 85% if converted. h) Callable after 8 years at $100\frac{3}{4}$%. i) Fungible with existing £100m deal. Non-callable. Note: Yields are calculated on AIBD basis.

MANAGEMENT: The Growing Business

In brief...

■ Midland Bank has launched a book-keeping service for small businesses which will allow both the owner and the bank manager to keep a closer eye on performance.

The service will allow business owners who lack the time or expertise to do their own books to reconcile their bank statements, analyse income and spending, compare budgets against actual figures and complete VAT returns.

It is being tested in Derbyshire, north west London, Nottinghamshire and West Yorkshire and will be extended nationally if successful.

The cost of the service is £29.38 a month for businesses with turnover of less than £250,000. A more advanced package is also available.

■ Selected businesses in the London area affected by the recession will be able to make use of a Healthcheck Consultancy Service provided by the London Enterprise Agency from next month.

A number of successful entrepreneurs have been appointed to work as consultants to small businesses – to assess their strengths and weaknesses and help them prepare a plan for their survival beyond the recession.

LEntA will initially offer the service to 25 businesses. It will charge £50 a day compared with the normal consultancy fee of more than £250.

It will also run a series of Business Skills Seminars over the next six months on subjects such as debt collecting, time and stress management, telephone selling and marketing. Cost of the seminars is £50 a day or £80 for two days.

Contact LEntA business advice line, Tel 071-236 3000.

■ Financial advisers spend their working lives advising others on how to manage their affairs but are not always very good at running their own businesses. A new guide* specially designed to help financial advisers sets out to help them with their planning.

The guide, produced by Origo Services, a joint venture company owned by more than 20 large life assurance companies, suggests that the business reviews its current position before setting objectives for development.

**Planning your business development. Origo Centre, Heriot-Watt Research Park, Edinburgh EH14 4AP. Tel 031-451 5181. 20 pages. Free*

The UK is considering emulating continental chambers of commerce. **Ronald van de Krol** reports from Amsterdam

A one-stop shop with ever more customers

Every small businessman and woman in the Netherlands knows where to find the local chamber of commerce and industry. They have no choice – registering with the local chamber of commerce is compulsory, so a short visit is one of the first concrete steps a budding entrepreur will take in launching a new business.

Dutch chambers of commerce do more for the growing business than simply register its details and collect the annual registration fee, though these are its main responsibilities as public law bodies.

On top of their duties in maintaining the trade register, the country's 36 chambers are trying to develop into "one-stop" advice centres for all small businesses, whether they be a long-established street-corner herring stall or a promising new design studio.

The Amsterdam chamber is a prime example of what the rest of the Netherlands' chambers are trying to achieve. It is also a useful model for the UK chambers of commerce, which are debating whether to give up their status as private-sector organisations and adopt a system more similar to that of the Dutch.

In January 1990, the Amsterdam chamber moved from the outskirts of the city into accommodation next to the railway station. Significantly, the move coincided with a decision to convert the chamber into an "Ondernemingshuis" (or enterprise house).

The Fl 34m (£10m) building houses not only the chamber of commerce and the offices of the trade registry but also a number of quasi-public institutions which specialise in helping small businesses.

Among the building's other tenants are the regional office of the Netherlands Institute for Small and Medium-Sized Enterprises; an "innovation centre", a government-subsidised body which channels technical know-how to smaller companies; and "Transferpoint", a platform for the transfer of technology between the city's universities and businesses.

The first two floors of the chamber's building are open to the public and consist of a variety of information desks on how to deal with red tape at customs or how to sift through Europe's "1992" initiatives. A new eastern Europe desk, run in conjunction with the Eastern Europe Institute, helps in finding markets and partners in the former East bloc.

Help is provided on a walk-in or appointment basis. The chamber believes its new set-up has brought it closer to the business community, particularly the small business sector which makes up the bulk of the city's economy. "Before our move we had 150 visitors and 200 telephone enquiries a day. Now we attract 300 visitors and 500 calls a day," says Jacob Bevaart, the chamber's secretary-general and in charge of day-to-day operations.

Jacob Bevaart (left) and Robert de Vilder: 500 phone calls a day

Outside observers generally agree that the Dutch chambers have grown more responsive to issues facing small businesses. "Ten to 15 years ago, the chambers were seen as ivory towers that took an officious, indifferent attitude to smaller businesses," according to Han Janson, a spokesman for the Research Institute for Small and Medium-Sized Businesses. "Today, they do their best to meet small business's needs."

For example, if there are changes to the tax system, local chambers will organise information evenings to explain the new rules to mainly smaller businessmen and women. "Bigger companies have that kind of expertise in-house, but smaller companies will look to the chamber for advice," he says.

In Amsterdam, small businesses – defined as companies with workforces of fewer than 100 people – make up between 80 and 90 per cent of the 60,000 registered companies.

All companies, even one-man operations, are required to register with the chamber, as are non-profit associations and foundations. Professionals such as doctors and lawyers are not required to register.

Compulsory registration is not controversial in the Netherlands, where even private citizens are required to register with the local council when they move from one town to another. But some organisations, like the Association of Independent Businesses (VZO), oppose the fact that most companies are required to submit a balance sheet and profit-and-loss account to the chamber. "If there are only two printing firms in a village, you can imagine why they're not very happy about having to make public such sensitive, competitive information," Albert Maris, the VZO's secretary, says.

Like other Dutch chambers, the Amsterdam chamber is financially autonomous. Its annual budget of Fl 36m is generated by the annual registration fee, as well as by fees charged for access to its extensive data base of all companies located in the region. The annual registration fee starts at around Fl 60 for the smallest companies and increases in steps according to a company's capitalisation. The top rate of more than Fl 20,000 is charged to large companies.

The Dutch system lies roughly midway between the voluntary status of UK chambers and the more extensive powers of the chambers in France, where the modern chamber of commerce was born during Napoleon's rule.

Although all Dutch companies are required to register with the chamber, they do not all automatically become members. The members are chosen by various industry associations in the region, with the actual composition of the general assembly, or parliament, determined by the relative weightings of such sub-sectors as retail trade, services and industry in the local economy.

By law, one-third of each chamber's members must represent the interests of small and medium-sized businesses. Perhaps more unusually, a further one-third are appointed by employee representatives, usually the trade unions. It is this element which would probably be the most difficult to export to the UK. "Our system puts discussions with the unions at the beginning of the line and not at the end. It creates consensus, not conflict," Bevaart says.

The chamber's role in advising small businesses is probably biggest in helping new companies get off the ground. At least once a month, it organises evening sessions that provide general information on starting a business. These are followed by a variety of courses, such as a two-day orientation session (costing only Fl 50) which covers financing, budgeting and marketing.

For a small fee, staff at the small business institute will look at the entrepreneur's business plan and offer advice. "After four years, 60 per cent of our start-up companies are still in operation, putting us above the national average," Bevaart says.

Besides serving as the location for the trade register and as a centre for business information, the Amsterdam chamber plays a big role in lobbying the city government and promoting the local economy.

Its part-time chairman, Robert de Vilder, who is managing director of insurance brokers Alexander & Bekouw, says the chamber's voice is heard loudly and clearly on such matters as road infrastructure and crime prevention. The Dutch system enables business to wield its influence with government.

But he believes that their power could be enhanced if the number of chambers in the Netherlands were cut from 36 to 18 by enlarging the geographic reach of each chamber. (The British chambers, too, are seeking to create a network of fewer but larger chambers, though their prime motivation is to make a better use of their more limited financial resources.)

Currently, for example, Amsterdam's Schiphol Airport does not fall under the Amsterdam chamber but the one for Haarlem. At the same time, the North Sea Canal, which links the port of Amsterdam and the North Sea, cuts through the territory of other chambers, fragmenting efforts to promote the port.

"There are six different chambers in Noord-Holland province. I think that that could be brought back to two or three," de Vilder says.

Do-it-yourself tax for self-employed

David Waller on an Inland Revenue revolution

Major changes in the taxation of small businesses lie ahead. The Inland Revenue has launched a consultative document* in which it proposes simplifications of the tax system for the 3.5m self-employed people in the UK. This will affect all who pay tax under Schedule D, from the proverbial window-cleaner to a partner in a firm of solicitors.

The latest proposals follow on from another consultative document, published in February this year, in which the Revenue detailed its plans for a "Pay-and-File" system for all 900,000-plus companies in the UK. All incorporated businesses paying corporation tax will be affected.

It will be some time before these proposals come into effect: Pay and File in late 1993 and the simplified system for the self-employed not before 1995-96 at the earliest.

Nevertheless, the changes are not far short of revolutionary and are worth coming to terms with now as the administrative burden of the change will fall heavily on the small business sector.

Under Pay and File, a company will be expected to make and pay its own estimate of its corporation tax liability by the normal due date, nine months after the end of the accounting period. The liability will arise automatically and the company will not have the scope to defer settlement, as now. There will be no need to wait for the inspector's assessment, nor will the liability have to be agreed with him or her.

The Schedule D proposals are similar insofar as they move the responsibility for assessing the tax liability from the Revenue to the taxpayer.

The prior-year basis of assessment, which is central to the current system and gives rise to massive complexity, will be eradicated. The rules will be clearer and the taxpayer's responsibilities will be more clearly defined – leaving far less opportunity for the exploitation of loopholes in order to defer payment.

On the face of it, these reforms look wholly positive; they will make tax a lot simpler for the self-employed and for companies. In theory, the initiatives ought to reduce the need for dealings with both tax accountants and tax inspectors. But, according to Roger White, head of tax at KPMG Peat Marwick, the reality may be somewhat different.

"The Pay and File system will bring plenty of anguish in the early years," says White. "People have never had to take absolute decisions on the extent of their tax liabilities. The traditional approach is dilatory and people have had the benefit of not having to comply with strict deadlines.

"There will be a major behavioural change; everyone will simply have to do something every year. At the moment, providing you pay a certain amount of tax on the due date, you can carry on for years before you finally agree your tax liability."

White predicts, no doubt with a certain amount of relish, that companies are likely to require more help from their accountants rather than less as the new regime takes effect in October 1993. "Companies won't be able to adhere to the new deadlines," he says. "They won't have the systems to provide the necessary flow of information."

He says most companies' tax affairs are like an untidy garden, with weeds in the flowerbeds and an uncut lawn. The new rules will oblige corporate gardeners to cut the lawn and keep the flowerbeds in order. Many will not be able to cope. The analogy applies equally to the 3.5m self-employed, whose tax affairs are likely to be even more ramshackle.

He advises companies to take steps to get their tax administration in order before the new regime comes into effect. The self-employed have more time, and need not worry about the reforms for a number of years though they too should be giving thought to the changes which will start to take effect in the mid-1990s.

**A Simpler System for Taxing the Self-Employed, available from the Inland Revenue Reference Room, Room 8, New Wing, Somerset House, London WC2R 1LB. The price is £4 including postage and cheques should be made out to the INLAND REVENUE in block capitals.*

BUSINESSES FOR SALE

BUSINESS WANTED

PUBLIC NOTICES

IN THE MATTER of ESLEA HOLDINGS PTY LIMITED AND IN THE MATTER of THE COMPANIES (SOUTH AUSTRALIA) CODE

The creditors of the abovenamed company are required on or before 20th October 1991, to prove their debts or claims and to establish any title they may have to priority by delivering or sending through the post to the Scheme Administrator at the undermentioned address an Affidavit verifying their respective debts or claims, in default they will be excluded from the benefit of any distribution made before such debts or claims are proved or such priority is established and from objecting to any such distribution.

Form of proof may be obtained from the undersigned.

DATED this 26th day of August 1991

I.D. FERRIER
Scheme Administrator
C/- Ferrier Hodgson & Co
Chartered Accountants
Level 17
2 Market Street
SYDNEY NSW 2000
AUSTRALIA
Tel: (02) 286 9999
DX: 1122 SYDNEY

Ferrier Hodgson & Co.

LEGAL NOTICES

CAPEG COMPAGNIE d'ACTIVITES PETROLIERES AU GABON LIMITED

(Registered in England, No.2184867)

Notice is hereby given, in accordance with Section 175 of the Companies Act 1985, that by a written Special Resolution passed on 20th August 1991, the above named Company as approved a payment out of capital for the purpose of acquiring 10,962,586 Ordinary Shares of £1 each in its own issued share capital.

The amount of the permissible capital payment for the shares in question is £10,962,586. The statutory declaration and auditor's report, required by Section 173 of the Companies Act 1985, are available for inspection at the registered office of the Company, The Glassmill, 1 Battersea Bridge Road, London SW11 3BG, England during the 5 week period commencing 20th August 1991. Any Creditor of the Company may at any time within the above mentioned 5 week period apply to the Court under Section 176 of the Companies Act 1985, for an Order prohibiting the payment.

Clifford Chance,
Royex House
Aldermanbury Square
London EC2V 7LD

Solicitors to the Company

22nd August 1991

WARD & COMPANY (BIRMINGHAM) LIMITED
W J LEECH (BIRMINGHAM) LIMITED
(JOINT ADMINISTRATIVE RECEIVERS APPOINTED)

NOTICE IS HEREBY GIVEN, in pursuance of Section 48 of the Insolvency Act 1986, that a Meeting of Creditors of the above companies will be held at 43 Temple Row, Birmingham, B2 5JT on 4 september 1991 for the purposes mentioned in Section 48 and 49 of the said Act.

A person is only entitled to vote at this meeting it:-

a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12 noon on the business day next before the meeting, and;

b) such claim has been duly admitted, and;

c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.

Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

If you wish to participate in the meeting of creditors, please forward details of your claim against the company(ies) and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham, B2 5JT.

In pursuance of Section 48 (2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address.

Dated this 19th day of August 1991

David R Wilton
Joint Administrative Receiver.

No 007502 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE ALBERT FISHER GROUP PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 29th July 1991 confirming the reduction of the share premium account of the above-named Company from £185,819,311 to £85,819,311 was registered by the Registrar of Companies on 7th August 1991.

DATED 21st August 1991

Ashurst Morris Crisp,
Broadwalk House,
5 Appold Street,
London EC2A 2HA (ref: AJH/0594K)

BUSINESS WANTED

LEGAL NOTICES

SCHEDULE 2
Regulations 3(2) and 4(2)
PART 1
FORM OF APPLICATION FOR A PRIVATE ELECTRICITY SUPPLY LICENCE

1. Full name of the applicant(s): UNILEVER U.K. CENTRAL RESOURCES LIMITED.

2. Address of the applicant(s) or, in the case of a body corporate, the registered or principal office: UNILEVER HOUSE, BLACKFRIARS, LONDON, EC4P 4BQ

3. Where the applicant is a company, the full names of the current Directors and the company's registered number: TREVOR CHARLES THOMAS, PATRICK HORTON ACHESON-GRAY, MICHAEL GILBERT HERON, CHARLES MILLER SMITH, PHILIP EDWARD MARTIN. REGISTERED IN LONDON NO. 29140.

4. Where a holding of 20% or more of the shares (see Note 1) of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided: BLACKFRIARS NOMINEES LIMITED (A WHOLLY OWNED SUBSIDIARY OF UNILEVER PLC).

5. Desired date from which the licence is to take effect: 1st OCTOBER 1991.

6. A sufficient description adequately specifying (see Note 2) the nature and situation of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below:
ANY NON DOMESTIC PREMISES OVER 1 MW IN THE LICENSED TERRITORY OF THE FOLLOWING PES's: EASTERN ELECTRICITY PLC, EAST MIDLANDS ELECTRICITY PLC, LONDON ELECTRICITY PLC, MANWEB PLC, MIDLANDS ELECTRICITY PLC, NORTHERN ELECTRIC PLC NORWEB PLC, SEEBOARD PLC, SOUTHERN ELECTRIC PLC. SOUTH WALES ELECTRICITY PLC, SOUTH WESTERN ELECTRICITY PLC, YORKSHIRE ELECTRICITY GROUP PLC; AND IN THE AUTHORISED SUPPLY AREAS OF SCOTTISH POWER PLC AND SCOTTISH HYDRO-ELECTRIC PLC.

7. a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power band as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimated maximum demand for each power band.
b) If the date in paragraph 5 above is on or after 1st April 1992 then only Power Band A shall be completed and if the said date is on or after 1st April then this paragraph shall cease to have effect.

Power Band	Number of premises	Aggregate Maximum demand	Energy (Gwh) to be supplied
(A) Not exceeding 0.1 MW	NONE		
(B) Exceeding 0.1 MW but not exceeding 1.0 MW	NONE		

8. A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant:
EXISTING LINES AND PLANT BELONGING TO EASTERN ELECTRICITY PLC, EAST MIDLANDS ELECTRICITY PLC, LONDON ELECTRICITY PLC, NORTHERN ELECTRIC PLC, NORWEB PLC, SEEBOARD PLC, SOUTHERN ELECTRIC PLC, SOUTH WALES ELECTRICITY PLC, SOUTH WESTERN ELECTRICITY PLC, YORKSHIRE ELECTRICITY GROUP PLC, SCOTTISH POWER PLC, SCOTTISH HYDRO ELECTRIC PLC, THE NATIONAL GRID COMPANY PLC.

9. A statement of the extent (if any) to which the applicant considers it necessary for powers under Schedule 3 (compulsory acquisition of land etc) and under Schedule 4 (other powers etc) to the Act to be given through the Licence for which he is applying:
THE APPLICANT CONSIDERS IT NECESSARY FOR THE FULL POWERS UNDER SCHEDULE 3 AND SCHEDULE 4 OF THE ACT TO BE GIVEN THROUGH THE LICENCE TO THE EXTENT THAT THEY ARE NECESSARY TO ENABLE THE APPLICANT TO CARRY OUT ITS LICENSED ACTIVITIES.

10. Details of any licences held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity: NONE.

In accordance with Regulation 6 of the electricity (applications for Licences and extension of Licences) Regulations 1990, copies of maps relevant to this application are held at the relevant regional offices of the Office of Electricity Regulation.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday August 23, 1991. *In some cases the rate is nominal.* Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	59.36	33.8737	43.2933
Albania	(Lek)	10.1215	6.0535	3.4544	4.415
Algeria	(Dinar)	30.1993	18.0617	10.3069	13.173
Andorra	(Fr Fr)	9.9475	5.9494	3.395	4.3391
	(Sp Peseta)	182.30	109.031	62.2184	79.5201
Angola	*(Kwanza)*	101.4130	60.6537	34.6119	44.2368
Antigua	(E Carr $)	4.5603	2.7274	1.5564	1.9892
Argentina	(Austral)	16646.35	9955.95	5681.35	7261.22
Aruba	(Florin)	3.0233	1.8081	1.0318	1.3187
Australia	(Aus $)	2.1300	1.2739	0.7269	0.9291
Austria	(Schilling)	20.595	12.3175	7.029	8.9836
Azores	(Port Escudo)	251.00	150.12	85.6655	109.487
Bahamas	(Bahama $)	1.6720	1	0.5706	0.7293
Bahrain	(Dinar)	0.6107	0.3652	0.2084	0.2663
Balearic Is	(Sp Peseta)	182.30	109.031	62.2184	79.5201
Bangladesh	(Taka)	59.63	35.6638	20.3515	26.0109
Barbados	(Barb $)	3.3971	2.0317	1.1594	1.4818
Belgium	(Belg Fr)	60.25	36.0346	20.5631	26.2813
Belize	(B $)	3.3780	2.0203	1.1529	1.4735
Benin	(CFA Fr)	497.40	297.488	169.761	216.968
Bermuda	(Bermudian $)	1.6720	1	0.5706	0.7293
Bhutan	(Ngultrum)	43.20	25.8373	14.744	18.844
Bolivia	*(Boliviano)*	6.1057	3.6517	2.0838	2.6633
Botswana	(Pula)	3.4730	2.0771	1.1853	1.5149
Brazil	(Cruzeiro)	639.65	382.566	218.311	279.019
Brunei	(Brunei $)	2.8890	1.7278	0.986	1.2601
Bulgaria	(Lev)	31.014	18.549	10.5849	13.5284
Burkino Faso	(CFA Fr)	497.40	297.488	169.761	216.968
Burma	(Kyat)	10.5879	6.3324	3.6136	4.6184
Burundi	*(Burundi Fr)*	345.95	206.908	118.072	150.905
Cambodia	(Riel)	1351.20	808.134	461.16	589.4
Cameroon	(CFA Fr)	497.40	297.488	169.761	216.968
Canada	(Canadian $)	1.9180	1.1471	0.6546	0.8366
Canary Is	(Sp Peseta)	182.30	109.031	62.2184	79.5201
Cp. Verde	(CV Escudo)	125.9656	75.3382	42.9916	54.9468
Cayman Is	(CI $)	1.4019	0.8384	0.4784	0.6115
Cent.Afr. Rep	(CFA Fr)	497.40	297.488	169.761	216.968
Chad	(CFA Fr)	497.40	297.488	169.761	216.968
Chile	(Chilean Peso)	589.80	352.751	201.297	257.274
China	*(Renminbi Yuan)*	9.0773	5.429	3.098	3.9595
Colombia	(Col Peso)	1020.65	610.437	348.345	445.213
Comoros	(CFA Fr)	497.40	297.488	169.761	216.968
Congo (Brazz)	(CFA Fr)	497.40	297.488	169.761	216.968
Costa Rica	(Colon)	216.1920	129.301	73.7856	94.304
Côte d'Ivoire	(CFA Fr)	497.40	297.488	169.761	216.968
Cuba	(Cuban Peso)	1.3650	0.8163	0.4658	0.5954
Cyprus	*(Cyprus £)*	0.805	0.4814	0.2747	0.3511
Czechoslovakia	(Koruna)	51.32c	30.6937	17.5153	22.386
		49.49t	29.5992	16.8907	21.5877
Denmark	(Danish Kroner)	11.3075	6.7628	3.8592	4.9323
Djibouti Rep	(Djib Fr)	295.00	176.435	100.683	128.68
Dominica	(E Carrib $)	4.5603	2.7274	1.5564	1.9892
Dominican Rep	(D Peso)	21.4165	12.8089	7.3093	9.3419
Ecuador	(Sucre)	1765.00o	1055.62	602.389	769.902
		1836.10a	1098.15	626.655	800.916
Egypt	*(Egyptian £)*	5.60	3.3492	1.9112	2.4427
El Salvador	(Colon)	13.02	7.787	4.4436	5.6793
Equat'l Guinea	(CFA Fr)	497.40	297.488	169.761	216.968
Ethiopia	(Ethiopian Birr)	3.4698	2.0752	1.1842	1.5135
Falkland Is	(Falk £)	1.00	0.598	0.3412	0.4362
Faroe Is	(Danish Kroner)	11.3075	6.7628	3.8592	4.9323
Fiji Is	(Fiji $)	2.5045	1.4979	0.8547	1.0924
Finland	(Markka)	7.1365	4.2682	2.4356	3.1129
France	(Fr)	9.9475	5.9494	3.395	4.3391
Fr. Cty/Africa	(CFA Fr)	497.40	297.488	169.761	216.968
Fr. Guiana	(Local Fr)	9.9475	5.9494	3.395	4.3391
Fr. Pacific Is	(CFP Fr)	178.00	106.459	60.7508	77.6444
Gabon	(CFA Fr)	497.40	297.488	169.761	216.968
Gambia	(Dalasi)	15.9374	9.5319	5.4393	6.9519
Germany	(D-Mark)	2.9300	1.7523	1	1.278

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	599.585	358.603	204.637	261.542
Gibraltar	(Gib £)	1.00	0.598	0.3412	0.4362
Greece	(Drachma)	323.55	193.511	110.427	141.134
Greenland	(Danish Krone)	11.3075	6.7628	3.8592	4.9323
Grenada	(E Carr $)	4.5603	2.7274	1.5564	1.9892
Guadaloupe	(Local Fr)	9.9475	5.9494	3.395	4.3391
Guam	(US $)	1.6720	1	0.5706	0.7293
Guatemala	(Quetzal)	8.20	4.9043	2.7986	3.5768
Guinea	(Fr)	1047.18a	626.304	357.399	456.785
		506.70n	303.05	172.935	221.025
Guinea-Bissau	(Peso)	1097.85	656.609	374.693	478.888
Guyana	(Guyanese $)	214.503	128.291	73.2092	93.5672
Haiti	(Gourde)	8.4450	5	2.8822	3.6837
Honduras	(Lempira)	8.6390	5.1668	2.9484	3.7683
Hong Kong	(HK $)	13.0115	7.7819	4.4407	5.6756
Hungary	*(Forint)*	128.425	76.8092	43.831	56.0196
Iceland	(Icelandic Krona)	103.10	61.6626	35.1877	44.9727
India	(Indian Rupee)	43.20	25.8373	14.744	18.844
Indonesia	*(Rupiah)*	3328.08	1990.48	1135.86	1451.73
Iran	(Rial)	113.10	67.6435	38.6006	49.3347
Iraq	(Iraqi Dinar)	0.5936	0.355	0.2025	0.2589
Irish Rep	(Punt)	1.0955	0.6552	0.3738	0.4778
Israel	(Shekel)	3.9400	2.3564	1.3447	1.7186
Italy	(Lira)	2187.00	1308.01	746.416	953.98
Jamaica	(Jamaican $)	17.0025	10.1689	5.8029	7.4165
Japan	(Yen)	229.25	137.111	78.2423	100
Jordan	(Jordanian Dinar)	1.1005	0.6581	0.3755	0.48
Kenya	(Kenya Shilling)	48.5925	29.0625	16.5844	21.1962
Kiribati	(Australian $)	2.1300	1.2739	0.7269	0.9291
Korea North	(Won)	1.6383	0.9798	0.5591	0.7146
Korea South	(Won)	1235.42	738.888	421.645	538.896
Kuwait	*(Kuwaiti Dinar)*	0.48010	0.2871	0.1638	0.2094
Laos	(New Kip)	1182.30	707.117	403.515	515.725
Lebanon	(Lebanese £)	1492.50	892.644	509.386	651.036
Lesotho	*(Maloti)*	4.8230	2.8845	1.646	2.1038
Liberia	(Liberian $)	1.6720	1	0.5706	0.7293
Libya	(Libyan Dinar)	0.4901	0.2931	0.1672	0.2137
Liechenstein	(Swiss Fr)	2.5625	1.5325	0.8745	1.1177
Luxembourg	(Lux Fr)	60.25	36.0346	20.5631	26.2813
Macao	(Pataca)	13.5488	8.1033	4.6241	5.91
Madagascar	(MG Fr)	2218.00	1326.56	756.997	967.503
Madeira	(Port Escudo)	251.00	150.12	85.6655	109.487
Malawi	(Kwacha)	4.8238	2.885	1.6463	2.1041
Malaysia	(Ringgit)	4.6560	2.7846	1.589	2.0309
Maldive Is	*(Rufiya)*	16.9745	10.1522	5.7933	7.4043
Mali Rep	(CFA Fr)	497.40	297.488	169.761	216.968
Malta	(Maltese £)	0.5635	0.337	0.1923	0.2458
Martinique	(Local Fr)	9.9475	5.9494	3.395	4.3391
Mauritania	(Ouguiya)	146.1998	87.44	49.8975	63.773
Mauritius	(Maur Rupee)	27.20	16.2679	9.2832	11.8647
Mexico	(Mexican Peso)	5100.15a	3050.33	1740.67	2224.71
		5124.76d	3065.05	*1749.06*	2235.45
Miquelon	(Local Fr)	9.9475	5.9494	3.395	4.3391
Monaco	(French Fr)	9.9475	5.9494	3.395	4.3391
Mongolia	*(Tugrik)*	5.4500	3.2595	1.86	2.3773
Montserrat	(E Carr $)	4.5603	2.7274	1.5564	1.9892
Morocco	(Dirham)	14.40	8.6124	4.9146	6.2813
Mozambique	(Metical)	2566.57	1535.03	875.962	1119.56
Namibia	(S A Rand)	4.8230	2.8845	1.646	2.1038
Nauru Is	(Australian $)	2.1300	1.2739	0.7269	0.9291
Nepal	*(Nepalese Rupee)*	72.1203	43.1341	24.6144	31.4592
Netherlands	(Guilder)	3.2975	1.9721	1.1254	1.4383
N'nd Antilles	(A/Guilder)	3.0233	1.8081	1.0318	1.3187
New Zealand	(NZ $)	2.9145	1.7431	0.9947	1.2713
Nicaragua	*(Gold Cordoba)*	8.4450	5.0508	2.8822	3.6837
Niger Rep	(CFA Fr)	497.40	297.488	169.761	216.968
Nigeria	(Naira)	18.8862	11.2955	6.4458	8.2382
Norway	*(Nor. Krone)*	11.4525	6.8495	3.9087	4.9956
Oman	(Rial Omani)	0.6240	0.3732	0.2129	0.2721

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	*(Pak. Rupee)*	41.21	24.6471	14.0648	17.976
Panama	(Balboa)	1.6720	1	0.5706	0.7293
Papua New Guinea	(Kina)	1.6040	0.9593	0.5474	0.6996
Paraguay	(Guarani)	2160.55	1292.19	737.389	942.443
Peru	(New Sol)	1.3800	0.8253	0.4709	0.6019
Philippines	(Peso)	43.90	26.2559	14.9829	19.1494
Pitcairn Is	(£ Sterling)	1.00	0.598	0.3412	0.4362
	(NZ $)	2.9145	1.7431	0.9947	1.2713
Poland	(Zloty)	19013.00	11371.4	6489.08	8293.57
Portugal	(Escudo)	251.00	150.12	85.6655	109.487
Puerto Rico	(US $)	1.6720	1	0.5706	0.7293
Qatar	(Riyal)	6.0020	3.5897	2.0484	2.6181
Reunion Is. de la	(F/Fr)	9.9475	5.9494	3.395	4.3391
Romania	(Leu)	102.61	61.3696	35.0204	44.7589
Rwanda	(Fr)	214.85	128.499	73.3276	93.7186
St Christopher	(E Carr $)	4.5603	2.7274	1.5564	1.9892
St Helena	(£)	1.00	0.598	0.3412	0.4362
St Lucia	(E Carr $)	4.5603	2.7274	1.5564	1.9892
St Pierre	(French Fr)	9.9475	5.9494	3.395	4.3391
St Vincent	(E Carr $)	4.5603	2.7274	1.5564	1.9892
San Marino	(Italian Lira)	2187.00	1308.01	746.416	953.98
Sao Tome	(Dobra)	315.8430	188.901	107.796	137.772
Saudi Arabia	(Riyal)	6.3198	3.7797	2.1569	2.7567
Senegal	*(CFA Fr)*	497.40	297.488	169.761	216.968
Seychelles	(Rupee)	9.0130	5.3905	3.0761	3.9315
Sierra Leone	(Leone)	515.20	308.134	175.836	224.733
Singapore	($)	2.8890	1.7278	0.986	1.2601
Solomon Is	($)	4.6230	2.7649	1.5778	2.0165
Somali Rep	(Shilling)	4425.18	2646.64	1510.3	1930.29
South Africa	(Rand)	4.8230c	2.8845	1.646	2.1038
		5.4475g	3.258	1.8592	2.3762
Spain	(Peseta)	182.30	109.031	62.2184	79.5201
Spanish Ports in *N Africa*	*(Sp Peseta)*	182.30	109.031	62.2184	79.5201
Sri Lanka	(Rupee)	69.85	41.7763	23.8395	30.4689
Sudan Rep	(£)	7.6005o	4.5457	2.594	3.3153
		19.3391g	11.5664	6.6003	8.4358
Surinam	(Guilder)	3.0149	1.8031	1.0289	1.3151
Swaziland	(Lilangeni)	4.8230	2.8845	1.646	2.1038
Sweden	*(Krona)*	10.6375	6.3621	3.6305	4.6401
Switzerland	(Fr)	2.5625	1.5325	0.8745	1.1177
Syria	(£)	35.4690	21.2135	12.1054	15.4717
Taiwan	($)	44.75	26.7643	15.273	19.5201
Tanzania	(Shilling)	386.4432	231.126	131.892	168.568
Thailand	(Baht)	42.31	25.305	14.4402	18.4558
Togo Rep	(CFA Fr)	497.40	297.488	169.761	216.968
Tonga Is	*(Pa Anga)*	2.1300	1.2739	0.7269	0.9291
Trinidad/Tobago	($)	7.1783	4.2932	2.4499	3.1312
Tunisia	(Dinar)	1.6179	0.9676	0.5521	0.7057
Turkey	(Lira)	7687.15	4597.58	2623.6	3353.17
Turks & Caicos	*(US $)*	1.6720	1	0.5706	0.7293
Tuvalu	(Australian $)	2.1300	1.2739	0.7269	0.9291
Uganda	(New Shilling)	1357.18	811.711	463.201	592.009
U A E	(Dirham)	6.1882	3.701	2.112	2.6993
United Kingdom	(£)	1.00	0.598	0.3412	0.4362
United States	(US $)	1.6720	1	0.5706	0.7293
Uruguay	(Peso)	3550.50	2123.5	1211.77	1548.75
USSR	(Rouble)	1.0070o	0.6022	0.3436	0.4392
		3.0210c	1.8068	1.031	1.3177
Vanuatu	(Vatu)	184.80	110.526	63.0716	80.6106
Vatican	*(Lira)*	2187.00	1308.01	746.416	953.98
Venezuela	(Bolivar)	96.85	57.9246	33.0546	42.2464
Vietnam	(Dong)	15217.89	9101.61	5193.82	6638.12
Virgin Is-British	(US $)	1.6720	1	0.5706	0.7293
Virgin Is-US	(US $)	1.6720	1	0.5706	0.7293
Western Samoa	(Tala)	4.0398	2.4161	1.3787	1.7621
Yemen	(Rial)	20.4369	12.223	6.975	8.9146
Yemen PDR	(Dinar)	0.7786	0.4656	0.2657	0.3396
Yugoslavia	(Dinar)	38.3739	22.9508	13.0968	16.7388
Zaire Rep	(Zaire)	25130.0(1)	15029.9	8576.79	10961.8
Zambia	*(Kwacha)*	116.7099	69.8025	39.8327	50.9094
Zimbabwe	($)	6.5491	3.9169	2.2351	2.8567

Special Drawing Rights August 22, 1991 United Kingdom £0.793939 United States $1.33620 Germany D Mark 2.32833 Japan Yen182.525
European Currency Unit Rates August 23,1991 United Kingdom £0.700258 United States $1.18449 Germany D Mark 2.05212 Japan Yen161.801

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday August 23, 1991
(1) (19/8) Zaire devalued by 48%.

US COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	355.2	353.4	354.5	354.1
Sep	355.2	353.5	0	0
Oct	357.0	355.3	357.1	355.6
Dec	360.3	358.6	360.5	359.0
Feb	363.5	361.8	363.5	362.3
Apr	366.5	364.8	0	0
Jun	369.7	3368.0	370.0	368.8
Aug	373.0	371.2	371.8	371.8
Oct	376.1	374.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	335.6	332.6	0	0
Oct	337.8	334.8	339.0	335.3
Jan	342.0	339.1	342.0	340.0
Apr	345.7	342.6	346.0	344.5
Jul	349.7	346.6	348.5	348.5
Oct	356.7	353.6	0	0
Oct	367.9	367.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	393.0	393.6	0	0
Sep	393.3	394.0	396.0	392.0
Oct	395.2	395.9	0	0
Dec	400.0	400.7	403.0	398.5
Jan	401.5	402.2	0	0
Mar	406.7	407.4	409.5	406.0
May	411.4	412.1	412.0	410.0
Jul	416.1	416.8	416.5	416.5
Sep	421.0	421.6	0	0
Dec	428.6	429.1	430.0	428.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	101.45	101.40	101.60	101.40
Sep	101.15	101.10	101.60	101.10
Oct	100.65	100.60	100.80	100.60
Nov	100.10	99.95	0	0
Dec	99.65	99.50	100.05	98.50
Jan	99.45	99.05	0	0
Feb	99.00	98.55	0	0
Mar	98.50	98.10	98.50	98.45
Apr	98.10	97.65	0	0
May	97.65	97.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.90	21.81	21.95	21.85
Nov	21.78	21.70	21.85	21.74
Dec	21.65	21.57	21.70	21.59
Feb	21.40	21.31	21.40	21.39
Mar	21.23	21.17	21.23	21.18
Apr	21.06	21.03	21.10	21.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6310	6300	6325	6275
Nov	6420	6400	6430	6400
Dec	6515	6500	6525	6480
Jan	6530	6514	6535	6500
Feb	6370	6359	6390	6365
Apr	5884	5869	5890	5880
May	5724	5709	5730	5710
Jun	5648	5670	5725	5565

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1036	1027	1040	1020
Dec	1089	1070	1094	1066
Mar	1137	1120	1138	1123
May	1166	1154	1167	1150
Jul	1190	1175	1190	1190
Sep	1213	1198	0	0
Dec	1248	1228	0	0
Mar	1290	1270	0	0
May	1315	1295	0	0
Jul	1336	1316	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	83.65	82.90	84.55	81.50
Dec	86.95	85.95	88.40	84.75
Mar	90.40	89.25	91.60	88.10
May	92.85	92.00	93.40	90.50
Jul	95.50	95.00	96.00	95.50
Sep	97.75	97.40	97.75	96.50
Dec	103.00	100.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.83	8.62	8.85	8.54
Mar	8.36	8.25	8.38	8.19
May	8.35	8.20	8.36	8.15
Jul	8.34	8.22	8.36	8.16
Oct	8.33	8.22	8.25	8.25

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	64.23	65.10	64.25	63.65
Dec	64.90	65.87	65.05	64.35
Mar	66.05	67.40	66.25	65.65
May	66.85	67.10	66.87	66.35
Jul	67.50	68.95	67.50	67.00
Oct	66.75	0	0	0
Dec	66.70			66.85
66.25				

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.60	119.15	119.25	118.60
Nov	116.50	116.70	117.20	116.50
Jan	114.50	114.80	115.20	114.50
Mar	115.75	116.00	116.40	115.65
May	116.40	116.50	0	0
Jul	116.40	116.50	0	0
Sep	116.40	116.50	0	0
Nov	116.40	116.50	0	0
Jan	116.40	116.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	582/6	587/6	586/4	574/0
Nov	594/4	579/6	598/4	586/4
Jan	605/4	590/6	608/6	598/0
Mar	614/0	600/4	618/0	607/4
May	621/4	608/6	625/0	616/0
Jul	626/4	615/0	629/4	621/4
Aug	626/0	610/0	628/0	620/0
Sep	607/0	601/0	610/0	607/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	20.52	19.97	20.65	20.17
Oct	20.69	20.15	20.82	20.33
Dec	21.04	20.49	21.22	20.67
Jan	21.22	20.68	21.40	20.90
Mar	21.65	21.08	21.73	21.23
May	21.70	21.30	21.75	21.65
Jul	22.00	21.50	22.15	21.80
Aug	22.02	21.55	0	0
Sep	22.02	21.55	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	186.4	181.4	186.5	182.5
Oct	184.6	180.2	185.5	181.6
Dec	184.4	180.2	185.7	181.7
Jan	184.8	180.0	185.5	181.6
Mar	184.5	180.3	185.5	181.7
May	184.5	180.5	184.8	181.5
Jul	183.0	180.0	184.5	181.6
Aug	183.5	180.0	184.5	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	254/4	249/4	257/0	250/2
Dec	259/4	254/4	261/2	255/2
Mar	265/6	262/0	268/4	262/4
May	270/2	266/4	272/2	267/4
Jul	272/4	269/4	274/4	270/0
Sep	257/0	255/0	260/0	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	306/0	299/4	309/0	301/0
Dec	320/6	313/6	323/0	315/6
Mar	326/4	319/4	329/4	321/4
May	322/0	316/4	324/0	317/4
Jul	311/2	304/0	313/0	306/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.25	72.22	72.07	70.95
Dec	74.00	74.47	74.30	73.65
Feb	72.56	73.05	72.90	72.20
Apr	73.12	73.65	73.50	72.97
Jun	71.12	71.60	71.35	70.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	44.62	44.87	45.25	44.25
Dec	44.06	44.05	44.40	43.32
Feb	43.32	43.52	43.70	42.90
Apr	41.90	42.10	42.25	41.82
Jun	46.92	46.05	46.40	45.90
Jul	46.05	46.05	46.30	45.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	47.80	47.05	48.00	46.00
Mar	47.35	46.75	47.50	45.55
May	48.45	47.75	48.45	46.70
Jul	48.00	46.90	48.50	47.00

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AUTHORISED UNIT TRUSTS

Malden Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

Malden General	0 117.4	117.4	120.5	4.82	4459

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

Growth Units	5¼	137.6	138.0xd	147.7	3.64	40905
Gilt & Fxd Int	5	147.9	147.9	155.5	8.10	40904
Intl Growth	5¼	145.8	145.8	155.1	0.44	40908
North American ♥	5¼	99.31	100.0xd	107.0	0.31	40718
Far East	5¼	112.8	112.8	120.0	0.52	40911
UK Smaller Cos	5¼	99.62	99.62	106.0	3.17	40909
European	5¼	53.36	53.36	56.90	0.94	40912
Japanese Growth	5¼	34.40	34.40	36.86	0.00	47786
Managed P'folio	5¼	49.99	50.21	53.41	1.31	47787
High Income	5¼	154.2	155.9	165.8	5.65	40906
High Yielding Gilt	5¼	61.24	61.24xd	64.50	10.32	40907
Cash		52.63	52.63	52.63	9.53	46082

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

Exempt Unit Tst	4	118.93	118.93	126.48	2.60	41081
Exempt Smlr Cos	3¼	227.40	227.40	245.70	1.40	41053

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ψ	5	311.7	311.7	332.4	1.26	41410
(Accum Units) ψ	5	364.6	364.6	388.9	1.26	41411
British	5	819.7	819.7	867.2	5.53	41416
(Accum Units)	5	1312.3	1312.3	1388.3	5.53	41417
European	5	323.0	323.0	343.9	1.53	41418
(Accum Units)	5	346.2	346.2	368.6	1.53	41419
Japan	5	112.2	112.2	119.2	–	41420
(Accum Units)	5	113.0	113.0	120.1	–	41421
New Pacific	5	170.9	170.9	181.6	1.97	46365
(Accum Units)	5	175.5	175.5	186.5	1.97	47954
PEP Aug 14	5	135.1	137.3	145.4	3.82	47588
Mngd Equity	5	123.0	124.8	132.1	3.51	47586
Mngd Equity Acc	5	130.5	132.4	140.1	3.51	40556
Mngd Cash	5	96.50	96.50	99.38	10.64	47585
(Accum Units)	5	114.3	114.3	117.7	10.64	40267
Mngd Fixed Int Acc Aug 14	5	120.0	120.0	126.8	6.93	42132
Majority Stlg	1	100.52	100.52	101.52	10.49	42703
Majority Stlg Acc	1	105.44	105.44	106.49	10.49	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Aug 15	0	51.15	51.15	51.73	0.44	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	614.5	621.7	664.9	3.16	41423
North America	6	79.90	79.90	85.45	0.95	41424

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital July 17	503.87	507.59	2.52	40505
Gross July 17	183.59	185.06	10.54	40506
High Yield July 17	299.58	301.99	6.82	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	54.53	55.65	3.58	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd F Folio	1202	1296	–	46964
Mngd Pens (Acc)	68.7	73.2	–	41007
Lazard Brothers & Co. Ltd				
Property Jan 3	£2360.0	2675.0	6.00	40777
Inc Gth Prp Apr 16	£1325.0	1460.0	7.20	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Aug 22	£3539.5	3712.1	4.38	40766
European Aug 22	£512.9	519.1	2.32	40776
American Aug 22	£364.6	368.6	1.95	40773
Japan Aug 22	£491.6	499.4	1.30	40774
Pacific Aug 22	£141.0	144.9	3.39	40775
W Midlands June 30	£144.10	160.90	2.48	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Life Funds				
Fixed Int. Dep. Acc	319.2	336.1	–	41723
Equity Acc	1043.6	1098.6	–	41724
Property Acc	487.4	513.1	–	41725
Far East Acc	203.9	214.7	–	41726
European Acc	25.7	27.1	–	41727
Managed Cap	434.4	457.3	–	41729
Managed Acc	811.0	853.7	–	41728
O'seas Earnings Acc	724.8	763.0	–	41730
Gilt Edged Acc	363.0	382.2	–	41731
American Equity Acc	566.5	596.4	–	41732
American Man Acc	252.2	265.5	–	41733
American Prop Acc	128.6	135.4	–	41734
Ser 4				
Fixed Int Dep Acc	26.6	28.1	–	43180
Equity Acc	27.3	28.8	–	43174
Property Acc	23.3	24.6	–	43180
Far East Acc	23.7	25.0	–	43178
European Acc	21.7	22.9	–	43176
Managed Acc	27.1	28.6	–	43184
Overseas Acc	28.1	29.6	–	43186
Gilt Acc	28.2	29.7	–	43182
Am Equity Acc	28.0	29.5	–	43164
Am Managed Acc	27.3	28.8	–	43165
Am Property Acc	22.3	23.5	–	43172
Pension Funds				
F I Dep Cap	353.0	371.6	–	41735

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N & P Life Assurance Ltd

National Financial Management Corp PLC

Providence Capital Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Skandia Life Assurance Co Ltd – Contd.

Target Life Assurance Co Ltd

Finance International Ltd

Fielshore Life Assurance Co Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Australia	$15.91	16 71	1 05	44759
Japan Tech	$58 49	61.42	-	44762
Japan Fund	$24 16	25.37	0.17	44763
Japan New Grth Fd	$18 91	19.86	-	44764
Malay Sing	$52.24	54 86	0.31	44765
Nth American	$22 00	23 10	0 58	47418
Octopus Fund	$21 25	22.32	0 88	44766
Pacific Fd	$59 59	62.57	-	44767
International Bond	$16 55	17 38	6 89	44769
Europa Fund	$12 87	13.52	-	47191
British Screen Fd.	£0 92	0 97	-	47190
Tristar Warrant	$10 47	11 00	-	47419
Hong Kong	$49 22	51.69	3.09	44761
Mngd Portfolio (Stlg)	£4 23	4 56	-	47319
Mngd Portfolio (Dllr)	$10 20	10 77	-	47318
Currency Fd–Sterling	£19.27		-	44755
Currency Fd–US Dollar	$15 26		-	44754
Curr Fd–Deutschemark	DM40.16		-	44756
Curr Fd–Managed $	$43 53	45 70	-	44758

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

Institutional Serv Series *	$1.00		5 74	40562
Investment Series *	$1 00		5 74	40563

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas IoM 0624 661551

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
ADI Managed(z)	5	$0.5687	0.5687	0 6056	-	44675
ADI Mgd Currency(z)	5	$0.3765	0.3765	0.3963	-	44676
ADI W'wide Eq(z)	5	$0.6310	0.6310	0 6720	-	44677
ADI N/A Amer Gth(z)	5	$0.7663	0.7663	0 8161	-	44678
ADI Far East (z)	5	$1.0862	1.0862	1 1568	-	44679
ADI Gilt & Income(z)	5	£0.2472	0.2472	0 2603	-	44680
ADI UK Cap Gth (z)	5	£0.2352	0.2352	0.2504	-	44681
ADI Europe Fd (z)	5	[illegible]	1.1801	1.2561	-	44682

For conversion Prices of Shares Phone 0624 662860

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas IoM 0624 620097

French Equity	5	FFr131.3	131 3xd	140 2	-	44689
UK Gilt	5	£9 84	9 87xd	10 40	-	44690
Intl Equity	5	£14.32	14 32xd	15.32	-	44691
US Bond	5	$9.37	9.37xd	9 97	-	44692
Gilt Accum	5	£.9675	.9675	1 0159	0	47016
ECU Bond	5	E.9676	.9676	1 0160	-	47015
Sterling Cash Acc	5	£.9666	.9666	1.0149	-	47017
International Bond	5½	£.8917	.8917	.9425	-	46802
ECU & DM Bond	5½	£.9791	.9791	1 0342	-	46798

CMI Fund Managers (IoM)

Clerical Medical Hse, Douglas, IoM 0624 625599

High Income	5	£0.4872	0.4872	0.5129	10.38	47293
CMI Core Portfolio Fund						
UK	5		£- 1.0932	1 1715	-	47540
USA	5		£- 1.0691	1.1351	-	47541
Japan	5		£- 0.5959	0.6293	-	47539

Equity & Law Intl Fund Mngrs Ltd

Victory Hse, Prospect Hill, Douglas IoM 0624 677877

Total Income Fd	5	97 04	97 04	102.13	10 9	41566

Gartmore Fund Managers (IoM)

PO Box 32, Douglas, IoM 0624 627610

Intl Grth	5¼	491.8	491 8	525.7	0 9	45095

John Govett – Contd.

Far East Equity	5¼	$10.27	10 27	10.37	1 0	[illegible]
US Smaller Cos	5¼	$12.75	12.75	12.88	1.0	[illegible]
European Equity	5¼	[illegible]	13.80	13.94	2.0	[illegible]
UK High Income	5	£4 84	4.84	4.88	10 75	[illegible]
UK Equity	5¼	£5 03	5 03	5 08	3 0	[illegible]

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 63, Bond Street, St. Helier, Jersey 0534 76[illegible]

Stlg Fixed Int	5¼	£1.139	1.139xd	1.210	9 74
Offshore High Yield	3¼	£1.426	1 431xd	1 483	12.6
Global Equity Fund	5¼	$14.58	14 66	15 48	0.74
European Equity	5¼	[illegible]	18.48	19 76	0.93
UK Growth (CI Fund)	5¼	£4.873	4.933	5.276	2.42
Nth American Eqty	5¼	$10.37	10 37	11.08	0.50
Far Eastern Eqty	5¼	£9.95	10 13	10.83	0 00
International Mngd	5¼	£10.59	10.59xd	11.33	0 71
Intnl. Bond Fund					
Sterling Managed	5¼	£10.54	10.54xd	11.23	9.11
US Dollar Managed	5¼	$13 02	13 02xd	13 87	5.54
International Currency Fund					
Sterling Managed ◆	5¼	£26.87	26.87	28.43	-
US Dollar Managed ◆	5¼	$29 74	29.74	31.47	-
Sterling ◆	0	£25.56	25.56	25.56	10.20
US Dollar ◆	0	$38.32	38.32	38.32	4.44
Deutschmark ◆	0	[illegible]	60 99	60.99	7 72
Japanese Yen ◆	0	Y4,898	4,898	4 898	6 00
Swiss Franc ◆	0	[illegible]	47.37	47.37	6.46
Irish Punts ◆	0	[illegible]	22.50	22.50	6.71

INVESCO MIM International (Jersey) Ltd

PO Box 271, St Helier, Jersey 0534 73[illegible]

Jersey Gilt (z)	5¼	£0.1710	0.1710xd	0.1802	9 16

Lloyds Bank (CI) U/T Mgrs.

PO Box 195, St Helier, Jersey 0534 27[illegible]

Lloyds Tst. Gilt	2½	£9.588	9.522	9 771	10.85

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606[illegible]

Intl Circuit Portfolio	6	£0.9842	0.9842	1.0437	1.68
Gilt	3	£0.9338	0.9338	0.9628	10.39

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76[illegible]

Govt Secs Fd	4	56.52	58.52	59.05	9.48

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73[illegible]

TSB Offshore Investment Fund Ltd

Stg Deposit Class	3	102.89	102.89	105.97	10.70
Gilt & Fixed Interest	3	103.80	103.80	106.93	9.02
Blue Chip & Gilt Edged	5	51.88	51.88	55.19	3.62
International Bond	5	110 27	110.27	115 81	6 92
UK Equity	5	124 07	124 07	135.04	1 02
International Equity	5	113 10	113.10	120.93	0.00
Far Eastern	5	90 43	90.43	96 80	0.00
European	5	86.37	86.37	91.45	0.00
Pan American	5	141.85	141 85	151.05	0.00
TSB Gilt Fund Ltd					
Quarterly Share	3	97.27	97.27	100.46	10.65
Monthly Share	3	96.07	96.07xd	99.21	10.7

JERSEY (REGULATED)(**)

Barclays Intl Funds

Currency Funds

	Bid Price	Offer Price	Yield Gross	City-line
Sterling	£20 89		10 0	[illegible]
US Dollar	$31.15		4.8	[illegible]
Deutschemark	DM54.35		7 6	[illegible]
Yen	Y3,996		7.6	[illegible]
Managed Multicurrency	£13 30	13.78	-	[illegible]
Managed Multicurrency	$25.01	25.89	-	[illegible]
Bond Funds				
Sterling Bond	£0.406	0.420xd	11.2	[illegible]
US Government Income	$96 78	100.23xd	6.9	[illegible]
Asian Selection Funds				
Hong Kong	$12.806	13.480	1.3	[illegible]
Indonesia	$9.288	9.752	3 0	[illegible]
Korea	$11.680	12.295	4.0	[illegible]
Malaysia	$9 90	10.421	2.5	[illegible]
Philippines	$10.772	11.339	4.0	[illegible]

[illegible]

Target International Ltd

Intl Growth Fd	$21.37	22.5540	-	45840

Templeton Worldwide Investments

Growth Portfolio

Class A-1 $	$9 71	-	41215
Class A-2 $	$10.92	-	41217
Class A-3 $	$10.28	-	41221
Class B-1 $	$9.53	-	41235
Class B-2 $	$10 73	-	41236

GT Management Plc – Contd.

GT Berry Japan Fd (z)	$25.96	0.91	45037
GT Berry Jap Stlg(z)	£17.12	0 43	45038
GT Biotech Hlth Fd (z)	$19.13	-	45039
GT Bond Fund (z)	$26.76	7.76	45040
GT Deutschland Fd (z)	$11.70	-	45041
GT Dollar Fd. (z)	$21.95	0.72	45042
GT Emerging Mkts	$11.31	-	43797
GT Europe Fund (z)	$31.23	0 06	45044
GT Euro Small Cos (z)	$31.31	-	45045

Mitsubishi Finance International Ltd

Multi Money Plus Plus	$115 48	-	47193
Multi Money Plus Multidollar	$110.94	-	47192

Morgan Stanley Japanese Warrant Fund NV

NAV	$5.7645	-	42142

NM Financial Mngt Intl Ltd

Int Resident Prop Fd	£0.740	0.791	0.00	45601

The New Zealand Fund

Manager Leadenhall Offshore Ltd

The NZ Fund	$5 52	5 91	-	45558

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Following the coup

ACTIVITY ON the foreign exchanges last week was almost entirely governed by the course of the Soviet coup. A casual observer might have wrongly assumed that the US was a supporter of the attempt to seize power, as the dollar was the main beneficiary when the coup began and the largest loser when it failed. But it was simply a matter of turning to the safest currency at a time of potential world upheaval.

For the same reason sterling and the Swiss franc performed at their best when the junta appeared to have the upper hand, while the D-Mark was friendless as the tanks rolled into Moscow.

Politically the world may never be the same again, but there has been no lasting impact on the market. Currencies have returned to pre-coup levels, waiting to see whether the Soviet Union can survive the impact of last week's events. The comparatively simple process of German unity, and the absorption of a communist state, has caused considerable problems giving some idea of what faces the Soviet republics seeking independence.

The long term implications of opening up the east appear to be good for Germany, but the market will remain cautious in the short run. The D-Mark finished steady in the middle of the European exchange rate mechanism and at about the same level against the dollar as immediately after the Bundesbank last raised official interest rates.

In the absence of further dramatic world events the market will turn back to economic fundamentals and interest rate factors favouring the D-Mark. German and US inflation were level at a year-on-year rate of 4.4 per cent in July, while Euro D-Mark rates are at least 3.5 percentage points higher than corresponding Eurodollars.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

£ IN NEW YORK

Aug 26	Latest	Previous Close
£ Spot	1.6798-1.6808	1.6765-1.6775
1 month	0.81-0.79pm	0.80-0.79pm
3 months	2.13-2.10pm	2.11-2.09pm
12 months	6.90-6.80pm	6.90-6.80pm

CURRENCY MOVEMENTS

Aug 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.5	-20.6
U.S. Dollar	66.7	-12.7
Canadian Dollar	106.2	+3.1
Austrian Schilling	108.8	+11.4

STERLING INDEX

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Japan	136.50 - 137.20	137.00 - 137.10	0.19-0.21ydis	-1.75	0.53-0.56dis	-1.58
Austria	12.1800 - 12.3400	12.3300 - 12.3400	3.70-4.20grodis	-3.84	11.10-12.50dis	-3.83
Switzerland	1.5110 - 1.5335	1.5320 - 1.5330	0.32-0.35cdis	-2.62	0.92-0.97dis	-2.47
Ecu	1.1705 - 1.1860	1.1710 - 1.1720	0.43-0.40cpm	4.25	1.26-1.20pm	4.20

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Aug 23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.672	2.930	229.3	9.948	2.563	3.298	2187.	1.918	60.25	1.426
$	0.598	1	1.752	137.1	5.950	1.533	1.972	1308	1.147	36.03	0.853
DM	0.341	0.571	1	78.26	3.395	0.875	1.126	746.4	0.655	20.56	0.487
YEN	4.361	7.292	12.78	1000.	43.38	11.18	14.38	9538	8.365	262.8	6.219
F Fr.	1.005	1.681	2.945	230.5	10.	2.576	3.315	2198	1.928	60.56	1.433
S Fr.	0.390	0.652	1.143	89.47	3.881	1	1.287	853.3	0.748	23.51	0.556
H Fl.	0.303	0.507	0.888	69.53	3.016	0.777	1	663.1	0.582	18.27	0.432
Lira	0.457	0.765	1.340	104.8	4.549	1.172	1.508	1000.	0.877	27.55	0.652
C$	0.521	0.872	1.528	119.6	5.187	1.336	1.719	1140	1	31.41	0.743
B Fr.	1.660	2.775	4.863	380.6	16.51	4.254	5.474	3630	3.183	100.	2.367
ECU	0.701	1.173	2.055	160.8	6.976	1.797	2.313	1534	1.345	42.25	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Previous day's open int.: Calls 279,786 Puts 306,367 (All currencies)
Previous day's volume: Calls 22,513 Puts 12,397 (All currencies)

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 16	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.94	85.94	85.65	85.61	85.59	85.55	85.94	82.17	127.4	49.18
Fixed Interest	94.91	94.93	94.80	94.80	94.80	94.52	94.93	90.59	105.4	50.53
Ordinary	2069.3	2056.1	2033.7	1987.9	1975.9	2041.9	2069.3	1606.3	2069.3	49.4
Gold Mines	162.0	167.7	173.2	181.3	184.4	179.4	222.8	127.0	734.7	43.5
FT-Act All Share	1264.73	1257.16	1246.94	1225.58	1216.23	1254.97	1264.73	987.46	1264.73	61.92
FT-SE 100	2640.7	2623.0	2601.9	2554.5	2540.5	2621.0	2640.7	2054.8	2640.7	136.9
FT-SE Eurotrack 100	1112.85‡	1108.81	1100.53	1066.99	1040.76	1122.42	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1180.76‡	1176.55	1168.21	1141.43	1116.92	1185.91	1192.11	938.62	1192.11	938.62

‡ Indicative

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Over Fifteen Years

Five to Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

BASE LENDING RATES

PARIS

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 34p/minute cheap rate and 45p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scottish Hydro-Electric see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 34p/minute cheap rate and 45p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	640	......
Finlay Pkg. 5p.... β	19	-5.0
Holt (Jos) 25p..... β	1978	......
Helton Hldgs........ γ	43	13.2

IRISH

Cap. 8½% Ln. 2010...	£93¾	......
9pc Cap Ln. 1996...	£98¼	......
Fin. 13% 97/02...	£112½	-1.3
Arnotts.....	175	2.3
IRG.....	138	......
United Drug.....	171	-1.2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A.	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	68
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petm.	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Aegon N/V (Section: Insurances)
Fleming Emerging Mkts (Trusts)
Do. Warrants (Trusts)
Scottish Power (Electricity)
Trafalgar House A (Industrials)

Deletions: Ambassador Secs. (Electricals)
Aquarius Expl. (Mines)
Bank of Wales (Banks)
Brunswick (Americans)
First Tokyo Index (Trusts)
Kingsgrange (Industrials)
Nor-Quest (Mines)
Pelsart Resources (Mines)
Pilkington Warrants (Industrials)
Synapse Computer Servs. (Electricals)
Oy Wartsila (Industrials)
Wyndham Group (Industrials)
TMD Advertising (Papers)

WORLD STOCK MARKETS

CANADA

TORONTO

3:15 pm prices August 26

INDICES

NEW YORK

DOW JONES	Aug 23	Aug 22	Aug 21	Aug 20	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3040.25	3007.38	3001.79	2913.69	3040.25 (23/8)	2470.30 (9/1)	3040.25 (23/8/91)	41.22 (2/7/32)
Home Bonds	95.89	95.75	95.89	95.99	95.99 (20/8)	91.30 (16/1)	95.99 (20/8/91)	54.99 (1/10/81)
Transport	1215.44	1190.41	1187.76	1141.93	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.00	205.62	205.25	201.74	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 3065.97 (3029.96) Low 2999.11 (2989.94)

STANDARD AND POOR'S

	Aug 23	Aug 22	Aug 21	Aug 20	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	394.17	391.33	390.59	379.43	394.17 (23/8)	311.49 (9/1)	394.17 (23/8/91)	4.40 (1/6/32)
Industrials	468.89	465.10	463.91	450.35	468.89 (23/8)	364.90 (9/1)	468.78 (23/8/91)	3.62 (21/6/32)
Financial	31.92	31.95	32.11	31.19	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	215.75	214.34	213.89	208.27	215.75 (23/8)	170.97 (9/1)	215.75 (23/8/91)	4.46 (25/4/42)
Amex Mkt. Value	369.35	368.08	366.28	360.30	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	521.06	518.30	517.97	502.05	521.06 (23/8)	355.75 (14/1)	521.06 (23/8/91)	54.87 (31/10/72)

	Aug 16	Aug 9	Aug 2	year ago (approx.)
Dow Industrial Div. Yield	3.08	3.08	3.07	4.10

	Aug 21	Aug 14	Aug 7	year ago (approx.)
S & P Industrial div. yield	2.69	2.70	2.68	3.11
S & P Ind. P/E ratio	21.35	21.31	19.62	16.07

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Columbia Gas	2,958,500	18⅞	+ 1⅛
USX Marathon	2,649,800	31¼	+ ⅜
Salomon Inc	2,582,700	24	+ 1⅜
RJR Nabisco	2,252,100	12¼	+ ¼
Telefonos	2,104,600	33½	+ ⅞
Gen Motors	2,077,000	37⅞	+ 1
Unisys Corp	1,913,600	5	- ⅛
Heinz (HJ)	1,780,400	44	- 3
Philip Morris	1,727,000	73⅛	- ⅛
Pepsico	1,723,800	33¾	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 23	Aug 22	Aug 21
New York SE	176.010	172.900	231.720
Amex	15.310	13.861	16.423
NASDAQ	172.115	157.463	192.753
NYSE			
Issues Traded	2,091	2,094	2,091
Rises	962	894	1,473
Falls	614	688	256
Unchanged	515	512	363
New Highs	117	127	119
New Lows	7	8	4

CANADA

TORONTO	Aug 23	Aug 22	Aug 21	Aug 20	1991 HIGH	1991 LOW
Metals & Minerals	3121.18	3042.39	3037.50	3033.77	3299.99 (18/7)	2632.06 (9/1)
Composite	3532.10	3517.20	3512.03	3485.30	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1882.92	1870.13	1866.25	1848.80	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 26	Aug 23	Aug 22	Aug 21	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1533.1	1540.8	1552.0	1536.0	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	663.8	666.7	672.1	666.9	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	470.40	464.73	462.31	426.61	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1121.86	1120.54	1123.46	1125.00	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	376.14	376.36	374.06	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	972.9	973.5	972.0	959.3	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	480.77	477.64	473.16	459.26	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1853.38	1833.45	1819.13	1792.87	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	688.21	677.46	674.56	647.98	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1934.9	1905.0	1898.3	1822.1	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1654.19	1627.24	1630.83	1570.82	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	4021.02	4045.57	3863.68	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	(u)	1436.86	1437.42	1422.13	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	549.62	550.51	555.91	546.46	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	21592.27	22065.34	22515.77	22051.60	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1694.70	1723.24	1750.57	1720.77	2028.85 (18/3)	1625.80 (17/1)
2nd Section (4/1/68)	2805.51	2831.45	2847.62	2792.34	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	541.74	543.49	553.65	527.88	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	280.0	279.2	278.1	278.0	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	199.4	198.8	198.1	198.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	793.53	779.56	776.91	772.67	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	990.47	969.16	957.91	922.02	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	375.93	377.15	380.54	365.45	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1122.00&	1144.0	1197.0	1207.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4083.0&	4088.0	4106.0	4058.0	4167.0 (14/8)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	701.00	701.68	716.94	690.06	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	273.66	269.98	267.94	266.49	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1088.8	1076.10	1084.10	1084.70	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	761.7	757.5	750.7	745.2	767.2 (16/7)	590.4 (14/1)
SBC General (1/4/87)	628.3	626.5	623.1	617.9	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4516.52	4527.37	4690.42	4393.18	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	677.68	676.37	685.42	650.92	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	498.1*	500.1	502.6	494.8	529.2 (17/4)	439.1 (16/1)

**Saturday August 24: Taiwan Weighted Price: 4426.14 Korea Comp Ex. 697.74.
*Calculated at 15.00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Monday, 26 August, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Shipbldg	6.3m	628	-6	Hitachi	2.6m	1,020	-40
Nippon Steel	3.3m	380	-7	Tokyo Gas	2.4m	481	-19
Kobe Steel	3.3m	485	+5	Mitsubishi Mat.	2.3m	562	-13
Nippon Carbon	3.2m	1,120		Toshiba	2.0m	643	-5
Nippon Oil	3.2m	890	-29	Nippon Mining	1.9m	606	-15

WORLD STOCK MARKETS

AMERICA

Equities drift lower after record high on Friday

Wall Street

AFTER THE dramatic upheavals of the previous week, trading resumed yesterday morning on Wall Street on a calmer note, writes Nikki Tait in New York.

The Dow Jones Industrial Average quickly shed its opening gain of six points and drifted lower in light trading during the morning session. By 1.30 pm it stood at 3,034.44, 5.81 points below Friday's record close.

Few analysts were surprised that, after hitting record highs on Friday, the market should take a breather. Aside from the developments in Eastern Europe, there is still uncertainty about the pace at which the US economy is pulling out of recession, and some caution that prices of shares heavily tied to the economic cycle are running ahead of events.

This week, moreover, will see the publication of a number of economic statistics, including the August index for consumer confidence today. Trading levels are likely to remain light as Wall Street winds down for the long Labor Day weekend ahead. If tradition is repeated, technical analysts note, the pre-Labor Day week will start on a mixed or weaker note, and then finish with a fairly strong flourish.

The week certainly began on better note for Salomon Brothers, the investment bank which has admitted illegal activities in the Treasury auction market and has seen top management quit as a result. Yesterday, the company's shares rallied by more than $2 at one stage on speculation that Mr Laurence Tisch, the chairman of Loews Corporation and the CBS broadcasting group, had been buying stock. However, by lunchtime, the shares had slipped back from the morning's highs to show a gain of $1⅛ at $25⅞.

Another actively traded stock was Great Atlantic & Pacific Tea Company, the large supermarket group better known as A&P. A warning from its chairman, Mr Jim Wood, that the company had been hit hard by the recession and was still digesting assets acquired in Canada, sent the shares $3¼ lower to $39⅞. Profits in the group's second fiscal quarter, which ends on September 7, would probably fall to between 35 cents and 40 cents a share, said Mr Wood. This would compare with 95 cents a share in the same period of 1990.

News that International Business Machines plans to make immediate price cuts, ranging from six to 37 per cent, on certain products at the less sophisticated end of its range, while raising prices by about five per cent on other hardware and software products next year, had little impact on the shares. IBM stock was $¼ higher at $95⅞ at lunchtime. But shares in Owens-Corning, the fibre-glass products manufacturer, gained $1 to $34⅛, on an analyst's earnings upgrading.

Canada

TORONTO stocks eased off the session's highs and were flat in midday trade. The TSE-300 composite index rose 0.7 to 3,532.8. Declines led advances by 175 to 169 on volume of 7.7m shares valued at C$86m.

Among active shares, Loblaw eased C$¼ to C$20⅛, Canadian Pacific rose C$⅛ to C$19, Philip Environmental was flat at C$10¼ and Royal Bank of Canada rose C$⅛ to C$27.

Petrochemicals weaken after a good start

Prospects have not been enhanced by the Soviet upheaval, writes Antonia Sharpe

THE RECENT upheaval in the Soviet Union could well prolong the underperformance of European bulk chemical stocks, as the setback to business confidence slows the momentum of economic recovery in the industrialised nations.

Initial fears of a disruption in the West's crude oil supplies from the Soviet Union, the world's biggest oil producer – forcing the price of oil back up to Gulf crisis levels of $25 a barrel – have faded. Furthermore, the jump in the dollar will help the profitability of European chemical companies when dollar-denominated earnings are converted.

But nevertheless, the chemical sector's fundamentals remain depressed and they are unlikely to improve until there is strong evidence of an economic upturn. Before the military coup in the Soviet Union, industry share prices were weighed down by poor second quarter company results, which showed that many oil and chemical majors were making losses on their petrochemical activities as a result of the collapse in plastics prices.

A report on the petrochemical market by County NatWest WoodMac points out that, whereas in the 1970s and 1980s the collapse in petrochemical profitability was caused by an economic recession and an inflationary-induced drop in demand, this time round the problem has been made worse by the over-expansion of capacity. "Petrochemical demand has not collapsed this time and so it will not bounce back," the report says.

Mr Fergus MacLeod, one of the authors of the report, says that the industry is only now coming to terms with the breakdown of capacity utilisation and margins, especially since it was busy justifying capacity expansion projects in 1988 and 1989 when profits were exceptionally high.

In his view, the investment community has not fully discounted the fact that the petrochemical industry could well be loss-making this year, nor the fact that the scenario could get even worse next year before showing a recovery. "We do not expect capacity utilisation and therefore profitability to rise again until the middle of the decade," the report says.

According to a sensitivity analysis by County, the companies most vulnerable to the fall in petrochemical margins are Montedison of Italy and Belgium's Solvay. Their group earnings could halve if petrochemical profitability falls by DM100/tonne, while Belgium's Petrofina and the Dutch company, DSM, could see theirs drop by one-third. The least affected would be Cepsa of Spain, Bayer of Germany and BP of the UK. By the same measure, the French companies, Total, Esso France and Rhône-Poulenc, and Ultramar of the UK have no exposure to petrochemicals.

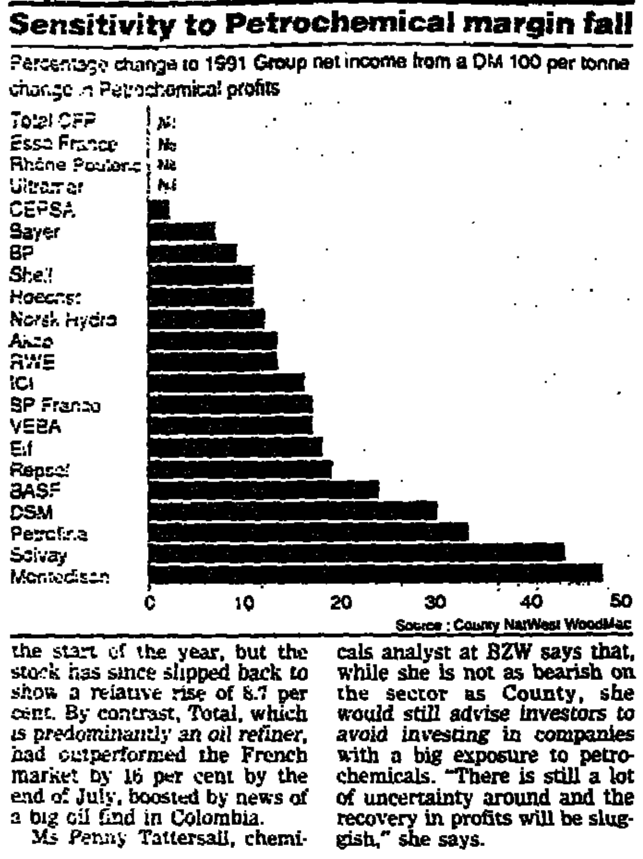
In the first quarter of this year, Europe's chemical and oil shares staged a sharp recovery on hopes of an improvement in petrochemical profitability. By April 25, BASF, which has the biggest exposure to bulk chemicals of the three German chemical majors, had outperformed the DAX index by 8.3 per cent from the start of the year, while DSM, in the Netherlands, had risen 15.1 per cent against the CBS general index. But by the end of May, analysts were warning that investors had been too optimistic about the outlook for the sector, and evidence of the erosion on margins, as a result of over-capacity, caused share prices to fall back sharply.

By the middle of May, Solvay had outperformed the Belgian market by 13.2 per cent from the start of the year, but the stock has since slipped back to show a relative rise of 8.7 per cent. By contrast, Total, which is predominantly an oil refiner, had outperformed the French market by 16 per cent by the end of July, boosted by news of a big oil find in Colombia.

Ms Penny Tattersall, chemicals analyst at BZW says that, while she is not as bearish on the sector as County, she would still advise investors to avoid investing in companies with a big exposure to petrochemicals. "There is still a lot of uncertainty around and the recovery in profits will be sluggish," she says.

Sensitivity to Petrochemical margin fall

Percentage change to 1991 Group net income from a DM 100 per tonne change in Petrochemical profits



Source: County NatWest WoodMac

ASIA PACIFIC

Nikkei suffers 2.1% drop on selling in thin market

Tokyo

SHARE PRICES fell across the board yesterday, as arbitrage-related and margin selling hit a thin market, writes Emiko Terazono in Tokyo.

The Nikkei average fell 473.07 or 2.1 per cent to 21,592.27 after opening at the day's high of 22,064.54. The day's low was 21,533.56. Volume fell to 200m shares as investors stayed on the sidelines ahead of the testimonies from former brokerage executives at the parliament's budget committee session, scheduled for this Thursday.

Losers led gainers by 840 to 133, with 139 issues unchanged. The Topix index of all first section stocks fell 28.54 to 1,694.70.

Share prices in all 36 sectors on the first section fell, and 73 issues hit lows for the year. A fall in the futures market prompted unwinding of arbitrage positions.

Industrial Bank of Japan plunged Y160 to Y3,240. Investors were nervous ahead of the testimony on the recent loan fraud scandals from Mr Yoh Kurosawa, the bank's president, at the parliament's budget committee. Securities houses were also lower with Nomura down Y20 to Y1,600 and Yamaichi Y19 to Y819.

Tokyu Corp, the railway company, fell Y29 to Y815 on reports that the finance ministry is to investigate Nomura's alleged price rigging.

Nippon Carbon closed unchanged at Y1,120, after hitting a year's high of Y1,150 earlier in the day. Rumours of speculative buying attracted some buy orders, especially from investors who had previously sold the stock on margin.

Kyocera, the semiconductor ceramic package maker, plunged Y170 to Y5,180 after a downward revision in earnings at the weekend. The company said that pre-tax profits would fall 11 per cent for the current year to Y50bn. Selling spread throughout the high-technology sector with NEC down Y30 to Y1,220 and Hitachi losing Y40 to Y1,020.

Mitsui Petrochemical fell Y35 to Y630. Investors were discouraged by reports that the company's pre-tax profits for the current year would fall by 19 per cent, a double-digit drop for the second year in a row.

Mitsui Engineering & Shipbuilding, the most active issue of the day, fell Y6 to Y538 on margin selling. Investors who had bought the issue on margin in February when it hit the year's high of Y681 face margin expiries.

In Osaka, the OSE average fell 492.61 to 23,445.74 on volume of 29.2m shares. Rohm, a linear integrated circuit maker, fell Y110 to Y2,480 as investors sold off high-technology issues on the weakness in Kyocera. Murata Mfg, on the other hand, rose Y20 to Y2,290 as investors were encouraged by prospects of price rises for electronics components, which would boost profits for the current business year.

Roundup

PACIFIC RIM markets were mostly easier in thin trading.

MANILA rose on speculation that the US military base treaty will be ratified by the Philippine Senate. The composite index added 21.31 to 990.47, up 2.19 per cent. But turnover fell to 96.5m pesos from 142.4m.

SINGAPORE concentrated on the newcomer, Singapore Electronic and Engineering (SEEL), which closed 7 cents higher at S$1.97 after Friday's 65 cent opening day premium on its offer price of S$1.25. Otherwise, shares were easier and the Straits Times Industrial index ended 1.89 lower at 1,386.98.

Turnover slumped from S$134.6m to S$53.8m, against S$226m last Thursday. After hours, Singapore Automotive Engineering (SAE) came to the market with an offer of 30m shares at S$1.20 each.

TAIWAN weakened in thin trading as the tight credit situation continued to keep investors away. The weighted index fell 9.62 to 4,516.52 as turnover shrank to T$13.93bn, its thinnest trade in seven months, from T$15.17bn.

Banking shares showed signs of recovering as yesterday was the deadline for new banks to raise required operating funds. Fifteen new banks were licensed in June and their fund-raising has hurt liquidity during the past two months.

NEW ZEALAND closed lower in light trading as investors turned their attention back to the market's unimpressive fundamentals. With many companies still using a June 30 balance date to make their annual profit reports, the stock market is braced for more disappointment on the earnings front. The NZSE-40 index fell 10.12 to 1,411.31. Turnover fell to NZ$12.2m from NZ$18.9m.

Fletcher Challenge slipped 2 cents to NZ$3.52 in the wake of its annual profit report last week which showed a drop of 16 per cent in its fiscal year ended June 30.

AUSTRALIA followed the downward trend set by Tokyo. The All Ordinaries index fell 7.7 to 1,533.1. Turnover was boosted to A$421m from A$148m by the sale of 102m shares in Ampol Exploration by Pioneer International. The shares were placed by Barclays De Zoete Wedd Australia late on Friday at A$2.83 each but appeared in Monday's market turnover. Ampol Exploration closed at A$2.85, down 25 cents.

KUALA LUMPUR returned to its recent downtrend, worrying about economic overheating and interest rate prospects as the composite index fell 1.75 to 541.74 in turnover down from M$109m to M$40.4m.

BANGKOK ended mixed in thin trade as investors awaited the outcome of the debate on the draft of a new constitution. The SET index ended 1.31 better at 677.68 on thin turnover of Bt1.58bn.

BOMBAY reached a new high on speculative buying. The BSE index closed 42.61 or 2.4 per cent higher at 1,844.82.

EUROPE

Most bourses begin week on a positive note

MOST BOURSES started the week on a positive note, though Milan was held back by reports of a stock fraud, writes Our Markets Staff.

FRANKFURT continued its uptrend following the failure of the Soviet coup last week, the DAX index putting on 26.95, or 1.7 per cent to 1,654.19 after a 10.75 rise to 688.21 in the FAZ at midsession. Volume was reported higher in spite of the holiday in the UK, rising from a subdued DM3bn on Friday.

Mr Jens Wiecking at Merck Finck in Düsseldorf said that many German institutional investors had called strategy meetings after the risk of armed conflict in the Soviet Union had subsided, and were now acting on them. "We even had a big order today from a British institutional investment manager, who came to work on the bank holiday," he observed.

Individual winners were not all front-line Ostphantasie stocks, Allianz rising DM50 to DM2,125 after its recent underperformance and Metallgesellschaft's DM15 rise to DM504 included an element of this, as well as hopes that an east European renaissance would benefit its raw materials trading.

Carmakers saw the strongest correlation with eastern promise, as Volkswagen rose DM12.80 to DM378 while BMW added just DM1 to DM524.50. VW has the biggest exposure to eastern Europe in the sector, having started a big manufacturing plant in east Germany, and following its acquisition of Skoda in Czechoslovakia.

PARIS rose 1.1 per cent as domestic operators returning from their summer holidays were encouraged back into equities by Wall Street's record highs and the collapse of communism in the Soviet Union. The CAC 40 index put on 19.93 to 1,853.38, closing just 1.2 per cent off the year's high of 1,874.81 set in June. Turnover eased to FFr1.7bn from Friday's FFr2.6bn, reflecting the absence of UK investors.

Blue chips were sought after, with Alcatel Alsthom rising FFr7 to FFr584, LVMH adding FFr67 to FFr4,493, L'Oréal up FFr11 at FFr620 and BSN FFr10 higher at FFr919.

MILAN was slightly lower after a shorter-than-usual session as investors retreated to the sidelines following reports that L100bn worth of Italian stocks had disappeared.

The Comit index fell 0.89 to 549.62 in turnover estimated at below Friday's modest L82bn. There were concerns that the stock scandal could disrupt Friday's settlement for the August trading account on Friday.

Cements were boosted by heavy bidding for the state-controlled company Cementir, which was readmitted to trading yesterday after being suspended for more than a month. The state industrial group IRI confirmed that it plans to privatise the cement maker. After a temporary suspension during the session for excessive price gains, Cementir was settled at L2,420 lire, up L340 or 16 per cent from its last closing price of L2,080 before its suspension.

MADRID rose 1.5 per cent, the general index closing 3.68 higher at 273.66. Construction stocks led the rally, Fecsa gaining Pta310 to Pta12,000 and Valderrivas Pta440 to Pta16.090; elsewhere, Endesa rose Pta85 to Pta2,565 in utilities and Banesto, in banks, was Pta95 higher at Pta3,780.

ZURICH firmed, the Crédit Suisse index rising 1.6 to 539.2 with Ciba-Geigy bearers adding SFr50 to SFr3,040 on the strength of the dollar, and last week's half-year results.

BRUSSELS saw more pain for Electrorail, the troubled holding company, which fell another BFr19 to BFr236 following its three-day suspension at BF376 on August 8. The Bel 20 index rose 1.32 to 1,121.86.

STOCKHOLM was lifted by the rescue party for the troubled finance company Gamlestaden. The Affärsvärlden general index gained 12.7 to 1,088.8 in modest turnover of SKr275m. Astra free B's gained SKr13 to SKr558 ahead of its six-month results due today.

OSLO leapt to a new 1991 high. The all-share index rose 9.27 to 525.34, surpassing the previous 1991 high of 522.72 on June 6, in active turnover of NKr400m. Fokus Bank went against the trend, reaching an all-time low on news of huge losses and a state bail-out. Its A shares fell NKr3 to NKr4.2, down from NKr12 on Friday.

VIENNA continued to recover, influenced by developments in the Soviet Union. The Vienna Bourse Index gained 4.28 to 526.59, while the new ATX Index of 18 leading shares rose 12.97 to 1,108.44.

ISTANBUL fell slightly as last week's treasury bill auction diverted fresh cash away from equities. The 75-share market index ended at 3,424.57, down 50.52 or 1.45 per cent.

● **The Eurotrack 100 index was not available yesterday due to the closure of the London Stock Exchange.**

SOUTH AFRICA

JOHANNESBURG eased in thin trading. The all-share index lost 7 to 3,364 while the all-gold index slipped 22 to 1,122. The industrial index fell 5 to 4,083. Vaal Reefs gave up R5 to R189 while De Beers was steady at R89.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 23 1991								THURSDAY AUGUST 22 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	146.68	−0.9	130.07	127.07	133.69	124.15	−0.7	5.07	147.95	129.30	127.56	132.92	125.07	151.58	112.74	143.09
Austria (20)	173.84	−1.8	154.15	150.61	158.44	158.34	−0.7	1.79	177.02	154.70	152.63	159.03	159.52	222.37	154.82	208.67
Belgium (47)	126.47	−2.2	112.14	109.55	115.26	112.43	−0.9	5.27	129.29	112.99	111.47	116.15	113.51	151.20	118.04	137.13
Canada (114)	140.30	+0.5	124.41	121.54	127.86	116.23	+0.6	3.26	139.58	121.98	120.34	125.39	115.58	142.27	126.49	136.71
Denmark (37)	252.56	−1.8	224.04	218.89	230.27	232.39	−0.2	1.52	256.64	224.28	221.28	230.56	232.91	270.56	217.74	252.21
Finland (18)	95.40	−0.7	84.59	82.65	86.95	85.17	+0.3	2.83	96.02	83.92	82.80	86.27	84.92	125.15	89.53	121.66
France (109)	133.43	−0.5	118.31	115.58	121.59	124.53	+0.9	3.56	134.04	117.14	115.56	120.41	123.48	152.26	119.11	137.65
Germany (65)	108.74	−1.1	94.64	92.48	97.28	97.28	+0.3	2.31	107.93	94.32	93.07	96.96	96.96	125.35	94.15	117.86
Hong Kong (55)	167.29	−0.3	148.34	144.92	152.47	166.76	−0.3	4.23	167.87	146.70	144.73	150.82	167.34	169.98	119.62	119.42
Ireland (18)	159.69	−1.1	136.28	133.14	140.07	141.82	+0.3	3.53	155.41	135.81	134.00	139.62	141.41	182.46	132.88	151.85
Italy (77)	70.77	−2.5	62.75	61.30	64.49	69.13	−1.3	3.38	72.61	63.46	62.60	65.23	70.06	88.23	64.78	87.35
Japan (474)	123.91	−2.0	109.88	107.35	112.95	107.35	−1.8	0.79	126.49	110.54	109.06	113.65	109.06	146.97	118.23	120.44
Malaysia (68)	202.59	−1.7	179.64	175.50	184.64	216.99	−1.7	3.10	206.07	180.09	177.67	185.13	220.72	247.78	189.18	197.14
Mexico (18)	1135.26	−0.1	1006.66	983.50	1034.68	3763.92	+1.0	1.44	1136.24	992.97	979.67	1020.78	3746.16	1152.58	534.45	473.92
Netherland (31)	137.01	−1.0	121.49	118.69	124.87	123.34	+0.4	4.34	138.35	120.91	119.29	124.29	122.85	145.73	125.70	134.56
New Zealand (14)	46.56	−0.7	41.29	40.34	42.44	43.02	−0.6	7.08	46.90	40.99	40.44	42.13	43.27	54.64	41.16	60.59
Norway (32)	199.67	−1.5	177.05	172.98	181.98	185.64	+0.0	1.58	202.66	177.11	174.74	182.07	185.61	223.24	176.58	255.86
Singapore (38)	187.82	−1.5	166.54	162.71	171.17	149.13	−1.6	2.30	190.86	166.80	164.56	171.46	151.55	208.25	151.63	160.52
South Africa (61)	236.90	−1.4	210.06	205.22	215.90	168.40	−1.4	3.23	240.29	210.00	207.18	215.87	170.82	258.85	173.00	179.39
Spain (54)	148.29	−0.3	131.49	128.47	135.14	122.62	+0.8	4.38	148.78	130.02	128.28	133.66	121.67	171.12	131.51	148.20
Sweden (25)	186.36	−2.3	165.25	161.45	169.85	175.59	−0.9	2.53	190.85	166.78	164.55	171.46	177.21	204.12	148.60	192.54
Switzerland (58)	91.08	−1.6	80.76	78.90	83.02	86.53	+0.2	2.23	92.52	80.85	79.78	83.13	86.38	100.67	82.17	95.71
United Kingdom (240)	176.79	−0.8	156.76	153.14	161.11	156.76	+0.7	4.88	178.21	155.74	153.64	160.09	155.74	187.44	156.27	163.01
USA (527)	159.97	+0.6	141.85	138.59	145.80	159.97	+0.6	3.03	158.96	138.91	137.06	142.81	158.96	159.97	125.95	125.57
Europe (829)	137.57	−1.0	121.98	119.18	125.38	124.13	+0.4	3.84	138.98	121.46	119.83	124.87	123.65	151.52	125.50	138.22
Nordic (110)	184.61	−1.8	163.70	159.93	168.25	165.23	−0.5	1.97	188.06	164.35	162.15	168.95	166.00	200.81	155.55	195.17
Pacific Basin (718)	125.64	−1.9	111.41	108.85	114.51	109.29	−1.5	1.16	128.09	111.94	110.44	115.08	110.94	145.92	117.86	121.15
Euro−Pacific (1547)	130.69	−1.5	115.88	113.21	119.10	115.91	−0.7	2.28	132.74	116.00	114.44	119.24	116.74	147.66	121.29	128.43
North America (641)	158.68	+0.6	140.70	137.48	144.64	157.01	+0.6	3.04	157.68	137.80	135.97	141.68	156.02	158.68	125.91	126.15
Europe Ex. UK (589)	114.47	−1.2	101.50	99.19	104.35	105.47	+0.2	3.19	115.85	101.24	99.90	104.10	105.28	129.80	103.58	122.51
Pacific Ex. Japan (244)	142.79	−0.8	126.61	123.72	130.15	126.87	−0.8	4.42	144.00	125.84	124.17	129.38	127.87	147.60	111.40	128.67
World Ex. US (1738)	132.72	−1.5	117.69	114.99	120.98	117.37	−0.7	2.33	134.69	117.71	116.14	121.01	118.17	148.16	122.32	129.41
World Ex. UK (2025)	137.50	−0.7	121.93	119.13	125.33	128.08	−0.3	2.35	138.41	120.96	119.34	124.36	128.44	145.77	120.06	123.55
World Ex. So. Af. (2204)	140.29	−0.7	124.40	121.55	127.87	130.45	−0.2	2.59	141.22	123.41	121.77	126.88	130.66	148.66	122.92	126.74
World Ex. Japan (1791)	151.27	−0.1	134.13	131.06	137.89	143.76	+0.4	3.38	151.36	132.28	130.52	136.00	143.12	152.83	126.69	131.76
The World Index (2265)	140.92	−0.7	124.95	122.06	128.44	130.77	−0.2	2.60	141.86	123.96	122.32	127.46	131.01	149.01	123.28	127.06

Latest prices were unavailable for this edition.

Constituent change with effect 27/8/91: Deletion: Kosmos (Norway).

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3:15 pm prices August 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18 7/8	9 1/4	AAR Corp	0.48	0.03	17	40	u18 7/8	18 1/8	18 1/2	
18 3/4	14 1/2	A L Labs A	0.16	0.01	17	198	16 1/8	15 3/4	15 3/4	-1/2
55 3/4	40 7/8	AMP Inc	1.44	0.03	20	817	53 3/4	52	53 3/8	+1 1/8
68 5/8	44 1/4	AMR			11	1268	60 7/8	59 7/8	60 3/8	+1 1/4
2 5/8	1 1/4	ARX			1	13	1 3/8	1 3/8	1 3/8	
58	41 1/2	ASA x	3.50	0.07	13	348	48 5/8	46 1/4	48 3/8	+1/8
55 1/4	39 1/4	Abbott Lab	1.00	0.02	23	1683	54 7/8	54 3/8	54 3/4	
14 1/2	9 7/8	Abitibi Pr	0.50	0.03	28	10	u14 5/8	14 1/2	14 1/2	
11 5/8	10 3/8	ACM Gvt In x	1.26	0.11		788	11 1/4	11 1/8	11 1/8	
9 3/4	8 3/4	ACM GvOpp x	1.01	0.11		61	9 1/2	9 3/8	9 3/8	-1/8
9 3/4	9 1/8	ACM Gvt Sp	1.01	0.11		77	u9 3/4	9 1/8	9 1/4	+1/8
11	9 7/8	ACM Gvt Se	1.26	0.12		222	10 3/4	10 1/2	10 1/2	
8 5/8	7 5/8	ACM Man x	1.01	0.12		212	u8 5/8	8 1/4	8 3/8	-1/8
12 7/8	11 1/2	ACM Mmgd x	1.37	0.11		334	12 3/8	12 1/4	12 3/8	+1/8
7 1/2	4 3/8	Acme Cleve	0.40	0.06	17	53	6 5/8	6	6 3/8	+1/4
6	3 1/8	Acme Elect			2	113	4	3 5/8	4	+1/4
40	22 3/4	Acuson			21	2053	32 7/8	31 3/4	32	-3/4
18 3/4	14 1/4	Adams Expr x	0.73	0.04	0	76	18 5/8	18 5/8	18 5/8	
20 1/8	17 1/2	Adobe12Pf	2.40	0.14		82	17 5/8	17 3/8	17 3/8	
9 1/8	6 5/8	Adobe Res			46	16	7	7	7	+1/8
38 3/4	18	Ad Micro				34	36 1/4	36 1/8	36 1/4	+1/4
14 1/4	4 5/8	Ad Micro P	3.00	0.26	16	660	11 3/4	11 1/2	11 1/2	-1/4
5 1/4	2 1/4	Advest Grp	0.16	0.04	5	12	3 1/4	3 1/8	3 1/4	+1/8
49 1/8	33 3/4	Aetna Lf	2.76	0.08	7	782	36 3/4	35 1/2	36 1/4	+1/2
10 5/8	6 5/8	Afil A	0.24	0.03	47	1070	8 5/8	8 1/2	8 1/2	-1/8
20 7/8	12	Ahmanson	0.88	0.05	11	690	19 5/8	18 3/4	18 3/4	-3/4
12 3/4	2 7/8	Aileen Inc			18	401	u13 1/4	12 1/4	12 1/2	+1/8
74 1/8	51 1/8	Air Pr Chm	1.58	0.02	15	649	69 1/2	67 1/2	68 1/2	+2
30	18 5/8	Airbos Frt x	0.30	0.01	19	201	28 3/4	28 1/4	28 1/4	-1/2
18 7/8	12 1/2	Airgas Inc			97	38	18 1/4	17 1/8	17 5/8	+1/8
15 1/4	10	Airlease	2.06	0.17	6	13	12 1/8	11 7/8	12	
98 1/2	88 1/4	AlaPw8.16	8.16	0.09		3	u96 1/2	95	95	
25 1/8	21 1/8	AlaPw PfA	2.00	0.08		11	u25 1/8	25 1/8	25 1/8	
106	100	AlaPw8.44	8.44	0.08		z100	104	104	104	-1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

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1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
60⅛	35¾	Xerox	3.00	0.05	10	1022	59¼	58⅝	58⅞	+2⅛
51½	43¼	Xerox4.125				5	51¼	51¼	51½	+½
21⅞	14⅛	Xtra 1.34 x				9	21⅛	21⅛	21⅛	+⅛
24⅞	14¼	Xtra Corp x	0.72	0.03	77	141	23½	23	23⅜	+⅛
24¾	21¾	Yankee Egy	1.60	0.07	11	24	23⅞	23¾	23⅞	
1½	⅜	Zapata			2	42	⅞	¾	¾	−⅛
9⅞	5⅞	ZenithElec			1	440	6	d5¾	5¾	−⅛
16½	12	Zenith Nat	1.00	0.06	96	66	16¾	16¼	16¾	
8¼	4½	Zenix Inc x	0.84	0.14		531	6	5⅞	6	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	25	14¾	14⅝	14⅝	+⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	125	39	38⅝	38⅝	−⅛
13½	10¼	Zweig Fund	1.12	0.09		283	12¾	12⅝	12⅝	−⅛
10	8½	Zweig Totl	0.96	0.10		316	u10	9⅞	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm prices August 26

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NASDAQ NATIONAL MARKET

3:15 pm prices August 26

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A team to share the spoils of victory

After last week's Soviet coup, four former apparatchiks have been appointed to rebuild economic and political confidence. Leyla Boulton examines their qualifications to carry out radical reform

Four sets of shoulders this week carry the awesome burden of producing what the west hopes will emerge from last week's abortive putsch in the Soviet Union: a radical and rapid reform of the Soviet economy. They belong to the four-man team appointed at the weekend to run the economy and help put together a "government of national confidence".

The membership of the team reflects the new balance of power in the country – and a sharing of the spoils of victory from the failed coup. By virtue of Russian president Boris Yeltsin's dominant role in this new Russian revolution, the quartet is headed by his prime minister, Mr Ivan Silayev. The choice of Mr Grigory Yavlinsky, the now world-famous economist, is a clear signal to the country and the world that Moscow is serious about undertaking radical economic reform. The appointment of Mr Yuri Luzhkov, chairman of Moscow City Council's executive committee, is a reward for Moscow, whose authorities played a key role in mobilising resistance to last week's coup. The fourth man, Mr Arkady Volsky, has won a place on the committee for various reasons – his closeness to President Mikhail Gorbachev, his influence and knowledge of state-owned industry, and contacts with western business circles.

With the exception of Mr Yavlinsky, the team is made up of former apparatchiks who have picked up market economics *en passant* – by virtue of occupying senior jobs when the Soviet Union first decided to switch to a market economy one year ago. In contrast to the three others, Mr Yavlinsky has had relatively little experience running the old-style Soviet economy – which may prove an asset when trying to dismantle it.

A leading Russian entrepreneur said he feared the older men – apart from Mr Yavlinsky, the others are aged upwards of 55 – may still be too tied to the old system to effect the radical reforms they sponsor in public. "Luzhkov runs a small factory, Silayev runs a big factory, and Volsky runs a ministry – he is capable of risqué experiments – but he is still a minister," said the entrepreneur, who declined to be named.

Mr Yavlinsky, says this entrepreneur, has a different problem: he is seen as an academic lacking in practical experience. Still, the new team's most precious asset now is its ability to inspire confidence – an asset the previous government never enjoyed, even before it tried to depose Mr Gorbachev and turn back the clock on political and economic reform.

All four men will almost certainly obtain key jobs in a new Soviet government if and when it is formed. Members of the team said yesterday that a two-day deadline they had been set to propose new government members was too tight, because they did not even know what sort of state they would be dealing with in the wake of several republics' declaring independence.

Yesterday the all-union government departments were being run by deputy ministers, since all the ministers have been in effect dismissed. The Russian federation has declared it is taking control of the all-union ministries since they are on its territory – although this has not happened in practice yet.

The team's main test is whether it can begin to persuade all republics to co-operate in a joint effort to salvage the country's finances and currency, secure the harvest and supplies of food and consumer goods, and build a common market. Having held the economy hostage for most of the past year, it is high time for the politicians to stand back and let the professionals get on with it.

Grigory Yavlinsky, 39, has by now become a byword for radical economic reform in both the west and the Soviet Union. He catapulted himself into the limelight this summer through his work on a programme to tie Soviet reform with western aid, only to be let down by President Gorbachev. And now he is back in it again.

Now that Mr Gorbachev has returned from captivity to what he describes as a "different country", Mr Yavlinsky is reaping the rewards of his own persistence, ambition and ability. The failed coup has suddenly provided him and his radical colleagues with unimagined opportunities to implement the kind of reforms they have been advocating ever since drawing up the 500-Day Plan last year.

In one stroke, the revolution has done away with the vested interests that stood in the way of reform, cleared the way for a new government sufficiently trusted by the people to impose unpopular measures, and created genuine confidence abroad in Soviet intentions to reform.

Mr Eduard Shevardnadze, the ex-foreign minister turned prominent liberal politician, said at the weekend that the new prime minister should be a good politician and economist rolled into one. Among the four that label probably best applies to Mr Yavlinsky, even though Mr Yeltsin may prefer to have his own man, Mr Silayev, in the prime minister's job. It is a sign of Mr Yavlinsky's own political astuteness and prestige nationwide, however, that he has remained in favour with the Yeltsin camp while enjoying the respect of Mr Gorbachev. He also commands the respect of ordinary people since he has been untainted by failures in office, and of republican leaders, for his professionalism and for his detachment from the central authorities.

Personally, though, he will have to prove he can stay the course of a hard collective slog. In the past, he has tended to play the political virgin, distancing himself from real politics when he feels in danger of being tainted by compromise: witness his decision to stay away from the London Group of Seven summit last month when Mr Gorbachev was presenting an economic reform programme based in part on Mr Yavlinsky's own work. A prominent Soviet admirer of Mr Yavlinsky said his one weakness was that he was "too bright" for high office.

One of Mr Yavlinsky's most difficult tasks will be to help persuade all republics to work their way out of the Soviet economy's crisis together, even if they opt for political independence. "They must come together, whether by calculated choice or spontaneously – there is no other way out," he said yesterday. A native of the western Ukraine, Mr Yavlinsky expressed confidence four months ago that he could persuade even this most reluctant part of the Soviet Union to co-operate on economic reform. "I will speak to them in their native language." With the Ukraine now apparently set on gaining its full independence, it remains to be seen if his confidence is still well-placed.

Ivan Silayev, the Russian prime minister, is one of those men who revealed hidden strength of character during last week's coup. In helping to organise resistance to the putsch, this 60-year-old former bureaucrat was decisive and assured where previously he had been hesitant and seen by many as Mr Yeltsin's yes man.

Last December Mr Boris Fyodorov, a prominent Soviet economist, resigned as his finance minister in despair, saying: "I have the impression we speak different languages." But Mr Silayev has learned a lot since then. Previously in charge of the Soviet machine-tool building industry, Mr Silayev has at least been able to encourage modest steps to building market infrastructure despite allowing the build-up of a huge budget deficit.

Yuri Luzhkov's main claim to fame in the coup was to have defied an order by the Moscow Communist Party chief to come to his office on the day the Emergency Committee seized power. But behind the scenes, Mr Luzhkov, 55, helped organise Moscow's resistance to the putsch. A Communist apparatchik by instinct, Mr Luzhkov has proved himself dedicated to the goal of radical reform promoted by his boss, Mr Gavriil Popov, the radical mayor of Moscow. As his nomination to the committee shows, he is one of the winners of the nationwide winnowing process now underway to sort the guilty out from the good.

For all of them, however, merely having been virtuous during the coup is just the first test. What comes next – putting together a viable economic reform programme in a country that is disintegrating – will be much more difficult.

Serious about reform: Grigory Yavlinsky, left, and Ivan Silayev, members of the new Soviet economic team

Leyla Boulton talks to Arkady Volsky, head of a Soviet employers' group and a member of the economic reform team

Making the Soviet Union fit to do business in

Mr Arkady Volsky likes relating Kremlin intrigues to a witticism of Saint-Simon, the 17th century observer of French court life:

"Two hundred years ago, Saint-Simon said one must quickly and diligently change a minister's chamber pot – but pour the contents on his head as soon as he stops being a minister."

Betraying his patron after he appeared to have lost power was one thing Mr Volsky, a friend and associate of President Mikhail Gorbachev, did not do when the latter was ousted in last week's abortive coup – unlike most of the Soviet government and party leadership.

As head of a fledgling Soviet equivalent of an employers' confederation, the Scientific-Industrial League, this smooth 59-year-old former apparatchik had not hesitated to speak his mind before the coup. But during the three days in which a self-proclaimed emergency committee tried to crush the Soviet Union's fledgling democracy, he worked behind the scenes against the attempt to turn back reforms. He even claims to have helped dissuade elite KGB units from storming the Russian parliament building where Mr Boris Yeltsin was making his stand.

Now, having vowed to stay in the party so that it would not be taken over by hardliners, Mr Volsky has had no qualms about its subsequent collapse. He believes that the Democratic Reform Movement which he helped found along with Mr Eduard Shevardnadze, the ex-foreign minister, and other liberals, will soon be transformed into a new party.

A member of the party Central Committee dissolved by President Gorbachev at the weekend, he is one of the few presidential allies untainted by the coup – which had the benefit of unmasking others who had simply paid lip-service to goals of radical economic and political reform.

This is not to say he does not harbour personal ambitions. It is an open secret in Moscow that he has been "training" for the office of prime minister for a while now. But in a prophetic interview three days before the coup, he said he would not accept any offer of a government post from Mr Gorbachev as long as he persisted in "working with cadres the way he does now" – shorthand for the disastrous judgment which made possible his betrayal by his own ministers. Although Mr Volsky is now likely to obtain a prominent ministerial post in the new government, the loss of influence of Mr Gorbachev, his patron, means that the top government job will go to a Yeltsin man instead.

His critics say he remains a creature of the bureaucracy which spawned him. But he has done a lot to protect himself from such criticism.

Although not an economist himself, he has been able to surround himself with people who are, hiring two of the authors of the 500-Day Plan to join his team of advisers.

He also has much influence among Soviet enterprise directors, as well as excellent contacts with western business leaders. His office has been an important port of call for visiting western executives seeking advice on doing business in the USSR.

On September 5, he is due to co-host the first ever gathering in Moscow of the World Economic Forum, the group of business and political leaders that meets in the Swiss resort of Davos every winter. Assuming this still goes ahead, it is to be preceded by a three-day gathering of European industrialists including members of the British Confederation of Industry and the French *Patronat* – organisations which his Scientific-Industrial League seeks to match.

A man of personal charm, with the air of a prosperous western business magnate, he is a skilled operator – managing a network of contacts ranging from the party's old boy network to the new entrepreneurs. He was also one of the party's earlier, and more genuine, proponents of the shift towards market economics in the Soviet Union – once the movement to effect such a change had got under way.

"Having smelled the wind of change, he made a 180-degree turn but a sincere one, unlike other communist bureaucrats who only paid lip-service to change," said a western diplomat.

Before he became chairman of the Scientific-Industrial League last year, he had been governor of Nagorno-Karabakh when the disputed enclave was placed under Moscow's direct rule for 18 months. His only previous experience was working for the party – a career he began as party secretary at the Likhachev plant which produces Zil limousines and trucks. He then moved swiftly up the ranks to become head of the Central Committee's machine building division.

Under Mr Gorbachev's patronage he was promoted to full Central Committee membership in 1986, where he remained an ally of the Soviet leader. At last April's plenum, when hardliners were calling for Mr Gorbachev's head, he presented a declaration of 72 Central Committee members who threatened to resign if the Soviet leader was forcibly ousted from his party post.

But over recent months, he has also been consistently giving President Gorbachev the same advice as his other colleagues on the board of the Democratic Reform Movement – to leave his party post and the party – advice which Mr Gorbachev followed only last Saturday by resigning as general secretary and clearing the way for the party's collapse.

Always among the more optimistic observers of the Soviet economy before the failed coup cleared the way for radical market reforms, Mr Volsky has long pointed to a natural, unstoppable groundswell towards a market economy from below.

"There are 11m lease-holders, 7m co-operatives. That's 18m people, and if you take their families into account, 70m people. That's an enormous mass of people which cannot be ignored."

Mr Volsky is fond of repeating statistics to prove his point. While Soviet GNP fell 10 per cent in the first six months of this year, those who "work with the laws of supply and demand" increased their output by 1.5 per cent, so Mr Volsky claims. Again more figures: the country already has 4,000 commercial banks and 300 Soviet-style commodity exchanges.

The fledgling entrepreneurs behind these private-sector manifestations are an increasingly potent force, as they showed with their spirited response to the coup.

While more conservative directors of state-owned enterprises rallied around the rival organisation of Mr Alexander Tizyakov, who turned out to be one of the members of the Emergency Committee, Mr Volsky has been busy over the past year trying to mobilise the more progressive directors of state-owned industry.

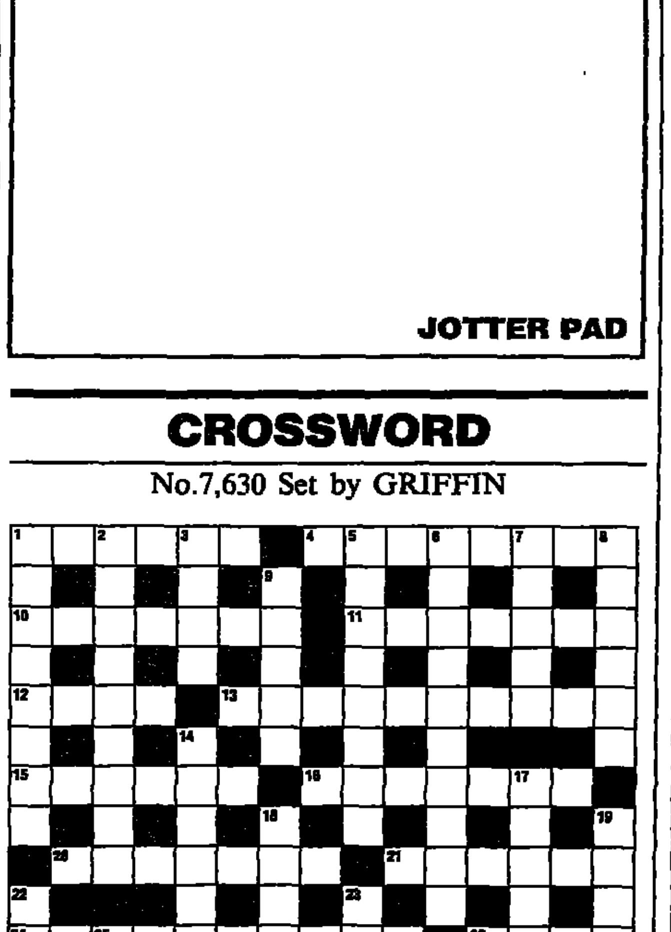
Mr Volsky is sceptical about the feasibility of republics going off on their own and obtaining full independence; rather, his main priority is to remove trade barriers between the republics and stop the so-called "war of laws" between republican and central authorities. Despite the rash of declarations of independence, he hopes that the degree of interdependence between the republics will prompt their leaders to sign economic agreements providing for some kind of free trade zone.

He says he is committed to a clear timetable for speedy radical reform – which Mr Yavlinsky will be seeking to resurrect. He has been active in efforts to make investment in the USSR a more attractive proposition. Before the coup, he was involved in attempts to set up risk insurance for foreign businessmen in the Soviet Union. The events unfolding since last week may themselves go a long way in helping him create an atmosphere people can do business in.

JOTTER PAD

CROSSWORD

No.7,630 Set by GRIFFIN



ACROSS

1, 4 Nun by dam on N. American Lake (6,8)
10 Opposed to a home in Silver Street (7)
11 Seats let out in groups (7)
12 Duck left after meal (4)
13 Very old and quite doddery, swallows most fat (10)
15 Very good in cooked game bird (6)
16 North American team caught in base (7)
20 Fried bread, cold, ruined our weight (7)
21 It's high class, black and functional (6)
24 Realise it's a recipe apt to go wrong (10)
26 Not a moving prison (4)
28 Additional article's missing, can't separate (7)
29 Now ask one in, fatty! (7)
30 Travelling to spring fair (8)
31 Dissertation by the first person on board (6)

DOWN

1 Intended me to include one interval (8)
2 Battle deserter stands holding soldiers' flag, trembling (9)
3 Bird requires a little bigger nest (4)
5 Not adapted and unused, it disintegrated (8)
6 So I, when in hospital, wanted a fan (10)
7 In it not one African flower is opening (5)
8 Live there without the team (6)
9 Way person put on weight (5)
14 Occupy place on top rank (10)
17 Flier by altar sobs uncontrollably (9)
18 Prisoner is not to stand by lake (8)
19 Matchless man looks intently around (8)
22 Jokers take Queen in bets (6)
23 Traction engine driver? (5)
25 Pop it back round to the courtyard (5)
27 It's eaten by mum if up first (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 14.